

STATE OF NEW MEXICO



FINANCIAL STATEMENTS WITH REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2009**

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INTRODUCTORY SECTION

**STATE OF NEW MEXICO
CITY OF GALLUP
LIST OF ELECTED AND APPOINTED OFFICIALS
JUNE 30, 2009**

ELECTED OFFICIALS

| | |
|-------------------------------|------------------------|
| MAYOR | HARRY MENDOZA |
| COUNCILOR – DISTRICT 1 | MIKE ENFIELD |
| COUNCILOR – DISTRICT 2 | ALLAN LANDAVAZO |
| COUNCILOR – DISTRICT 3 | E. BRYAN WALL |
| COUNCILOR – DISTRICT 4 | JAY AZUA |

APPOINTED OFFICIALS

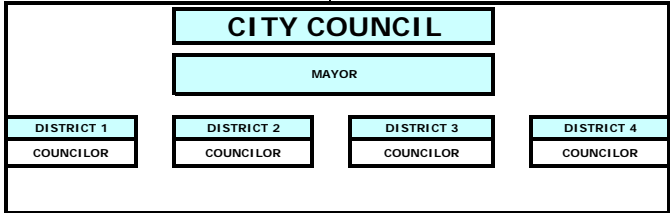
| | |
|---------------------|-----------------------|
| CITY MANAGER | GERALD HERRERA |
|---------------------|-----------------------|

OTHER OFFICIALS

| | |
|--|---------------------------|
| EXECUTIVE DIRECTOR OF ADMINISTRATIVE SERVICES | JUDI M. STARKOVICH |
| CITY CLERK | ALFRED ABEITA |
| FINANCE DIRECTOR | KARLA NEWBERRY |

CITIZENS OF GALLUP, NEW MEXICO

MUNICIPAL COURT



WATER BOARD

CITIZEN ADVISORY COMMITTEES
AIRPORT COMMISSION
SPORTS COMMISSION
LIBRARY BOARD

CITY ATTORNEY

CITY MANAGER

MANDATED CITIZEN COMMITTEES
LODGERS' TAX COMMITTEE
PLANNING & ZONING COMMITTEE
PUBLIC HOUSING BOARD

3

PUBLIC WORKS
ENGINEERING
PLANNING
STREETS
VEHICLE SERVICE CENTER
CONSTRUCTION & MAINTENANCE
AIRPORT

JOINT UTILITIES
ADMINISTRATION
ELECTRIC
WASTEWATER
WATER
SOLID WASTE

HUMAN RESOURCES

FIRE
OPERATIONS
EMS
SUPPRESSION

POLICE
SUPPORT SERVICES
PUBLIC SAFETY BUILDING
ANIMAL CONTROL
PROTECTIVE CUSTODY

CITY CLERK
CUSTOMER SERVICES
COLLECTIONS

LIBRARY

PARKS & RECREATION
RRSP
CEMETERIES
BEAUTIFICATION
SENIOR CENTERS
RECREATION
THE FITNESS CENTER

ADMINISTRATIVE SERVICES
FINANCE
PURCHASING
WAREHOUSE
RISK MANAGEMENT
GOLF COURSE

INFORMATION TECHNOLOGY

ECONOMIC DEVELOPMENT
CONVENTION & VISITORS CENTER

FINANCIAL SECTION



Griego Professional Services, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

City of Gallup
Gallup, New Mexico
To the Honorable Mayor and City Council
Hector Balderas
New Mexico State Auditor
The Office of Management and Budget

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, budgetary comparisons for the general fund and the aggregate remaining fund information of City of Gallup (the "City"), New Mexico, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the City's non-major governmental, non-major enterprise and internal service funds, including budgetary comparisons, presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2009 as listed in the table of contents. These financial statements are the responsibility of the City of Gallup, New Mexico's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Gallup, New Mexico, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund and the major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental, non-major enterprise and internal service fund of the City of Gallup, New Mexico, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and respective budgetary comparison for all non-major funds and the major enterprise fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 10, 2009 on our consideration of the City of Gallup, New Mexico's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The *Management's Discussion and Analysis* on pages 7 through 15 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements and the combining and individual fund financial statements and budgetary comparisons. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The additional schedules listed as "New Mexico State Auditor Disclosures" in the table of contents and the schedule of changes in fiduciary assets and liabilities are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Grigo Professional Services, LLC

Albuquerque, New Mexico
November 10, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Gallup (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with additional information furnished in the audit report.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$140,855,768 (*net assets*). Of this amount, \$52,417,432 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$9,412,659. This was a decrease as compared to prior year, which was caused by a substantial decrease in intergovernmental grants.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$26,245,811, an increase of \$3,579,648 in comparison with prior year. Approximately 32.87% of this total amount, \$8,629,338, is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$8,629,338 or 38.05% of total general fund expenditures. Cash basis fund balance of \$7,630,624 can be found on page 21.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacations leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, culture and recreation, public safety, health and welfare, and public works (highways and streets). The business-type activities of the City include the operations of Gallup Joint Utilities (GJU), Solid Waste, The Fitness Center, Wrangler Junior High School Rodeo (WJHSR), Gamercos Billings, and Risk Management internal service fund.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate housing authority for which the City is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 17 and 18 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because of the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *government funds* with similar information presented for *government activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains twenty-six (26) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Environmental Surcharge Special Revenue Fund, both of which are considered to be major funds. Data from the other twenty-four (24) governmental funds are also combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for all its funds. A budgetary comparison statement has been provided for all its funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 19 through 22 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its GJU, Solid Waste, The Fitness Center, NMJHSR, GMADC, and Gamerco Billings. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its insurance administration. Because this service predominantly benefits governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Joint Utilities, which is considered to be the major proprietary fund of the City. Conversely, the internal service fund is combined into a single, aggregated presentation in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 23 through 25 of the report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund statements can be found on page 26 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27 through 49 of this report.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental and nonmajor proprietary funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 50 through 69 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$140,855,768 at the close of the most recent fiscal year.

The largest portion, 60.10%, of the City's net assets (\$84,659,092) represents its investment in capital assets (e.g., land, buildings, improvements, infrastructure, and machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (37.21%) reflects the balances of its *unrestricted net assets* (\$52,417,432) which may be used to meet the City's ongoing obligations to citizens and creditors. The remaining balance (\$3,779,244) reflects resources that are subject to external restrictions on how they may be used.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

**CITY OF GALLUP'S NET ASSETS
(AMOUNTS IN THOUSANDS)**

| | Governmental Activities | | Business-type Activities | | Total Government | |
|---|-------------------------|------------------|--------------------------|------------------|------------------|------------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| ASSETS | | | | | | |
| Current and other assets | \$ 32,648 | \$ 29,223 | \$30,707 | \$30,130 | \$63,355 | \$59,353 |
| Capital assets | <u>83,119</u> | <u>84,240</u> | <u>53,168</u> | <u>51,181</u> | <u>136,287</u> | <u>135,421</u> |
| Total assets | <u>\$115,767</u> | <u>\$113,463</u> | <u>\$ 83,875</u> | <u>\$ 81,311</u> | <u>\$199,642</u> | <u>\$194,774</u> |
| LIABILITIES | | | | | | |
| Long-term liabilities outstanding | \$ 26,653 | \$ 28,826 | \$ 27,038 | \$ 28,686 | \$ 53,691 | \$ 57,512 |
| Other liabilities | <u>3,280</u> | <u>3,541</u> | <u>1,815</u> | <u>2,279</u> | <u>5,095</u> | <u>5,820</u> |
| Total liabilities | <u>\$ 29,933</u> | <u>\$ 32,367</u> | <u>\$ 28,853</u> | <u>\$ 30,965</u> | <u>\$ 58,786</u> | <u>\$ 63,332</u> |
| NET ASSETS | | | | | | |
| Invested in capital assets, net of related debt | \$ 58,333 | \$ 57,476 | \$26,326 | \$23,075 | \$ 84,659 | \$ 80,551 |
| Restricted net assets | 3,779 | 2,402 | 0 | 0 | 3,779 | 2,402 |
| Unrestricted net assets | <u>23,722</u> | <u>21,219</u> | <u>28,696</u> | <u>27,271</u> | <u>52,418</u> | <u>48,490</u> |
| Total net assets | <u>\$ 85,834</u> | <u>\$ 81,097</u> | <u>\$ 55,022</u> | <u>\$ 50,347</u> | <u>\$140,856</u> | <u>\$131,443</u> |

Overall net assets increased by \$9,412,659. This was a 39.13% decrease from prior year. Although charges for services and taxes are increasing, they are not growing at the same rate as operating expenses. The main increase in expenses is caused by the increasing cost of services, mainly fuel, and by the completion of many bond projects, which is two fold. As we use construction funds, bond funds decrease, which causes a decrease in interest income, which had been very healthy in the prior fiscal year. In addition, intergovernmental grants have dramatically decreased.

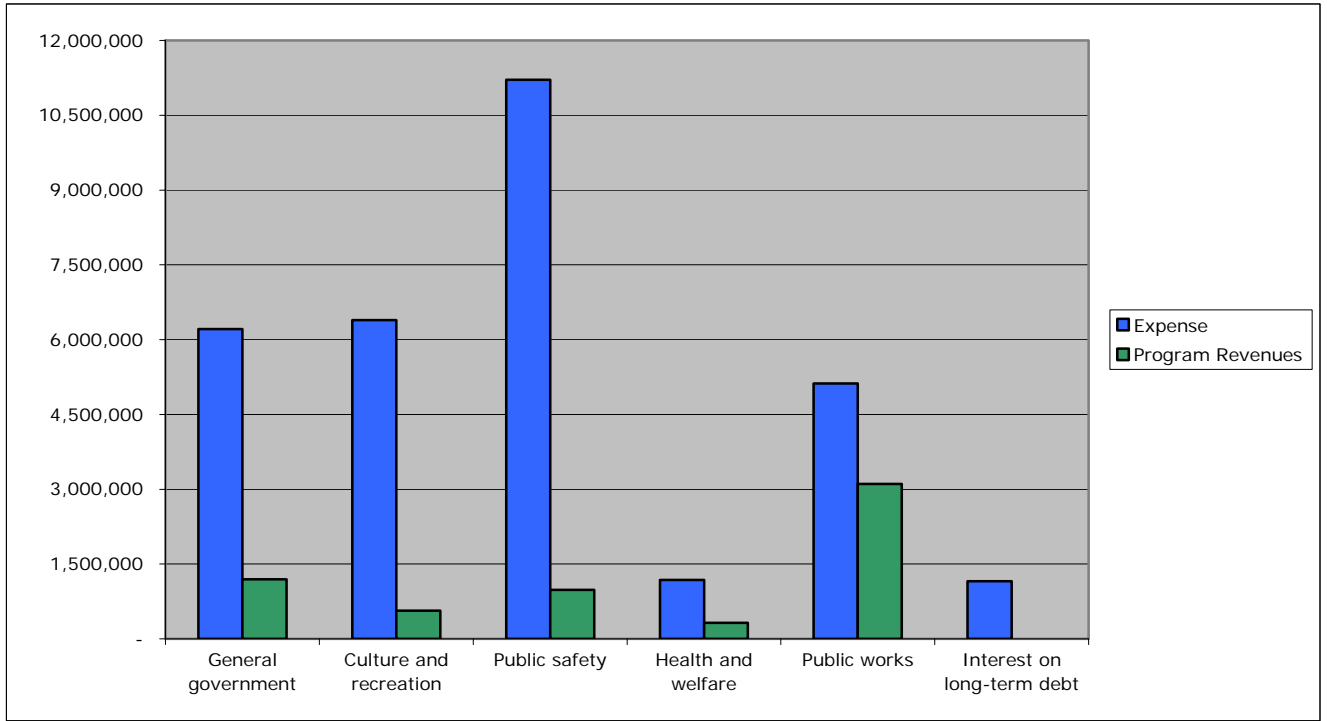
**CITY OF GALLUP 'S CHANGES IN NET ASSETS
(AMOUNTS IN THOUSANDS)**

| | Governmental Activities | | Business-type Activities | | Total Government | |
|--------------------------------|------------------------------------|-----------------|-------------------------------------|------------------|-----------------------------|-------------------|
| | <u>2009</u> | <u>2008</u> | <u>2009</u> | <u>2008</u> | <u>2009</u> | <u>2008</u> |
| REVENUES | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 3,490 | \$ 3,400 | \$ 32,855 | \$ 31,284 | \$ 36,345 | \$ 34,684 |
| Operating and capital grants | 2,683 | 5,271 | 202 | 5,243 | 2,885 | 10,514 |
| General Revenues | | | | | | |
| Property taxes | 2,851 | 2,647 | 0 | 0 | 2,851 | 2,647 |
| Other taxes | 14,088 | 13,406 | 419 | 450 | 14,507 | 13,856 |
| Grants and other contributions | 9,482 | 10,028 | 0 | 0 | 9,482 | 10,028 |
| Other | <u>1,049</u> | <u>1,050</u> | <u>787</u> | <u>1,028</u> | <u>1,836</u> | <u>2,078</u> |
| Total Revenues | <u>33,643</u> | <u>35,802</u> | <u>34,263</u> | <u>38,005</u> | <u>67,906</u> | <u>73,807</u> |
| EXPENSES | | | | | | |
| General government | 6,214 | 6,970 | 0 | 0 | 6,214 | 6,970 |
| Culture and recreation | 6,391 | 6,590 | 779 | 604 | 7,170 | 7,194 |
| Public safety | 11,208 | 10,599 | 0 | 20 | 11,208 | 10,619 |
| Health and welfare | 1,179 | 1,021 | 0 | 0 | 1,179 | 1,021 |
| Public works | 5,118 | 5,395 | 0 | 0 | 5,118 | 5,395 |
| Electric | 0 | 0 | 16,130 | 16,573 | 16,130 | 16,573 |
| Wastewater | 0 | 0 | 3,010 | 2,602 | 3,010 | 2,602 |
| Water | 0 | 0 | 4,529 | 4,175 | 4,529 | 4,175 |
| Sanitation | 0 | 0 | 2,782 | 2,630 | 2,782 | 2,630 |
| Interest on long-term debt | <u>1,153</u> | <u>1,163</u> | <u>0</u> | <u>0</u> | <u>1,153</u> | <u>1,163</u> |
| Total Expenses | <u>31,263</u> | <u>31,738</u> | <u>27,230</u> | <u>26,604</u> | <u>58,493</u> | <u>58,342</u> |
| Increase in Net Assets Before | | | | | | |
| Net Transfers | 2,380 | 4,064 | 7,033 | 11,401 | 9,413 | 15,465 |
| Net Transfers | <u>2,357</u> | <u>2,528</u> | <u>(2,357)</u> | <u>(2,528)</u> | <u>0</u> | <u>0</u> |
| Increase in Net Assets | 4,737 | 6,592 | 4,676 | 8,873 | 9,413 | 15,465 |
| Net Assets, 06/30/07 | <u>81,097</u> | <u>74,505</u> | <u>50,346</u> | <u>41,473</u> | <u>131,443</u> | <u>115,978</u> |
| Net Assets, 06/30/08 | <u>\$85,834</u> | <u>\$81,097</u> | <u>\$ 55,022</u> | <u>\$ 50,346</u> | <u>\$ 140,856</u> | <u>\$ 131,443</u> |

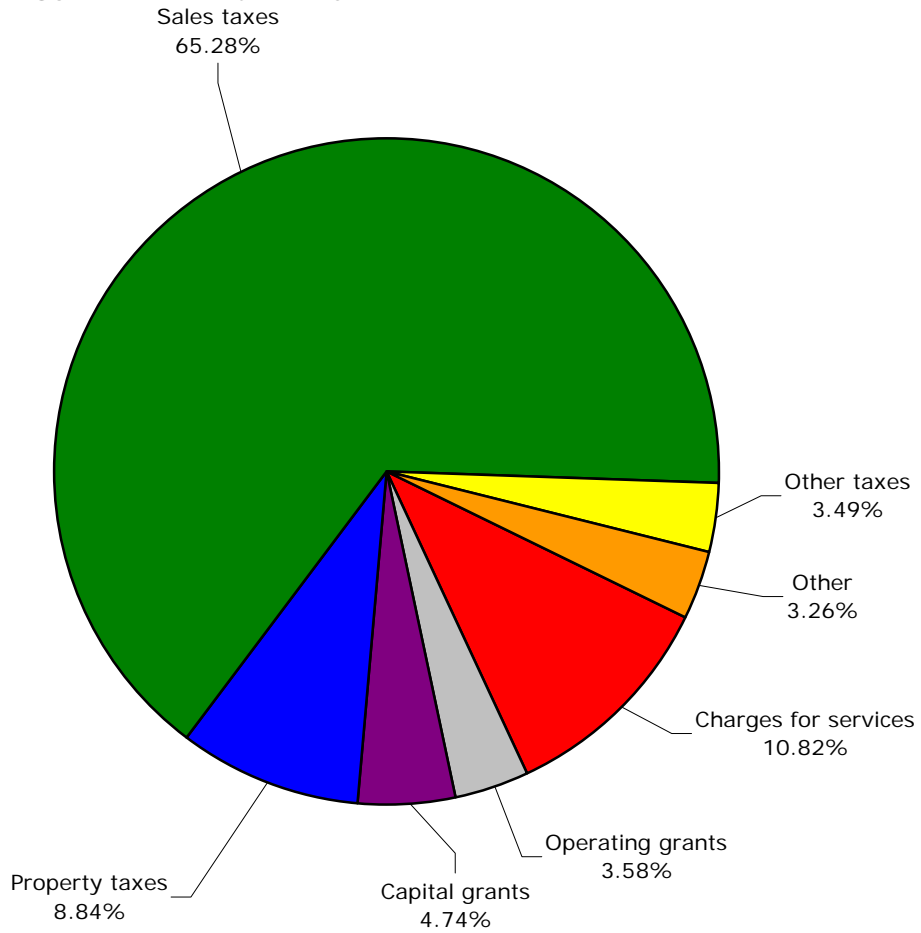
Governmental Activities. Governmental activities increased the City's net assets by \$4,737,349, thereby accounting for 50.32% of the total increase in the net assets of the City. The increase was down 28.13% as compared to prior year. Key elements of this increase are as follows:

- Operating and capital grants decreased by \$2,588,798, primarily due to the completion of an airport runway project.
- Charges for services increased by \$96,317 due to growth in our recreational.
- Expenses were down by \$469,217 because of department managers watching budgets closely.

EXPENSES AND PROGRAM REVENUES – GOVERNMENTAL ACTIVITIES



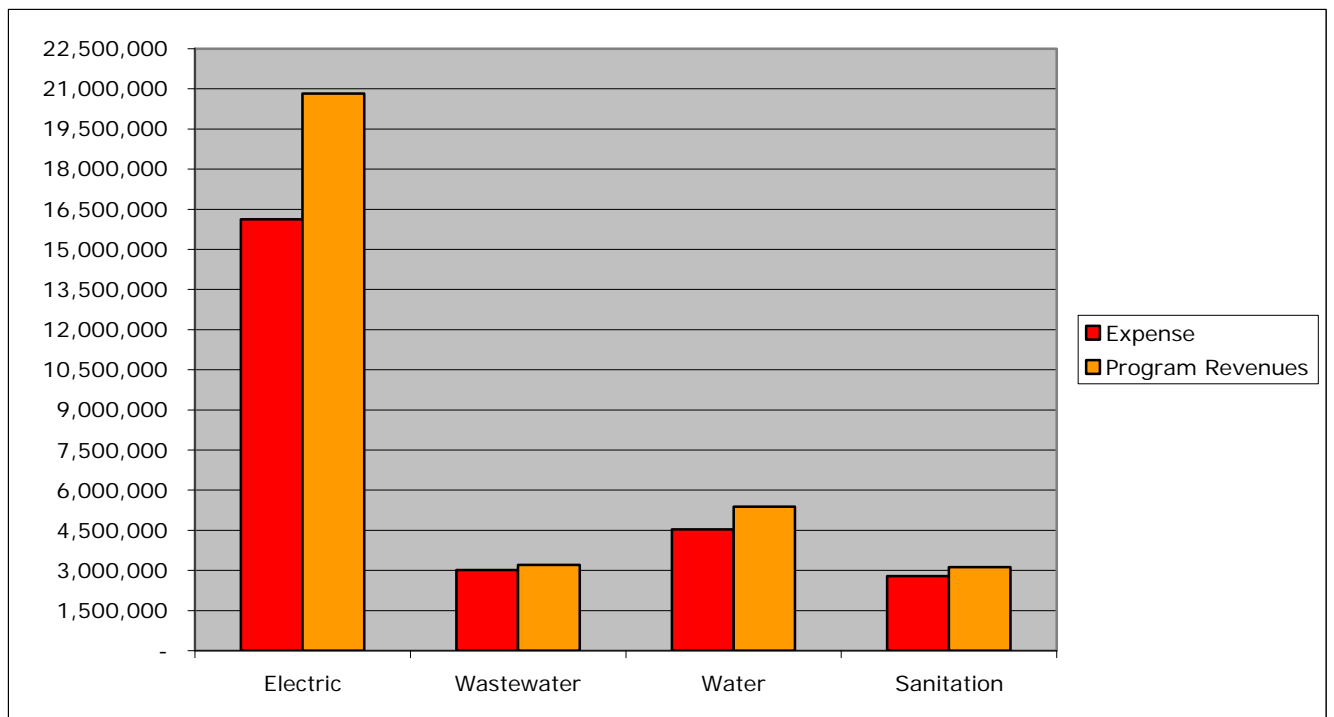
REVENUES BY SOURCE – GOVERNMENTAL ACTIVITIES



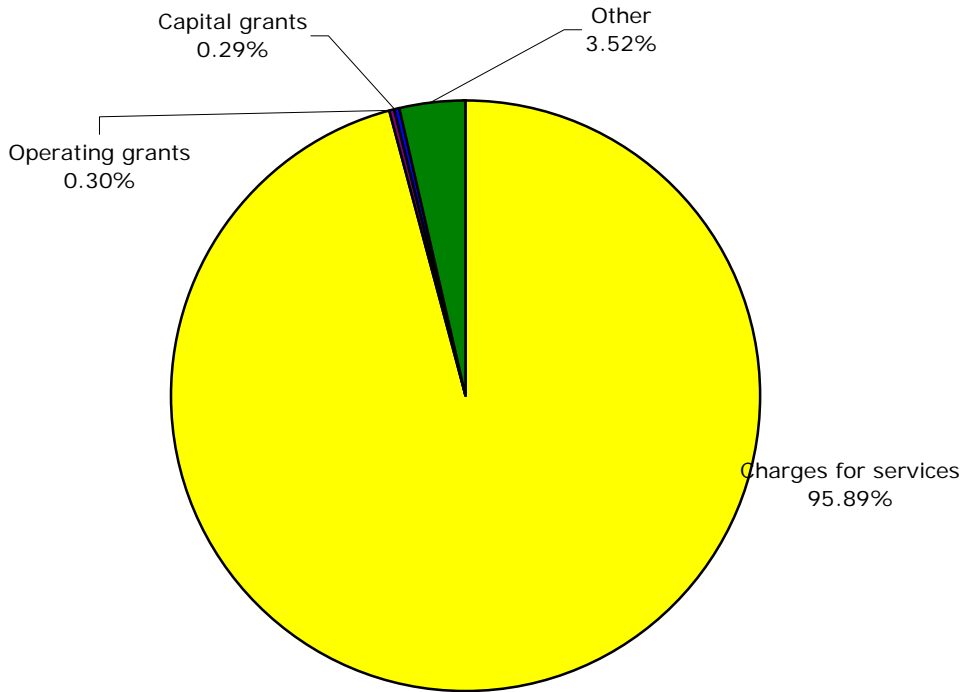
Business-type Activities. Business-type activities increased the City's net assets by \$4,675,310 accounting for 49.68% of the total growth of the government's net assets. However, again this is a decrease of 47.30% as compared to last year. Key elements of this increase are as follows:

- Charges for services for business-type activities increased by 5.02%. Gallup Joint Utilities accounts for a significant portion of this increase, which resulted from the approval of a tiered rate increase passed in 2005. Revenues also increased because of aggressive collection efforts on past due accounts. Together, these factors, account for the \$1,571,268 increase in charges for services.
- Operating and capital grants decrease \$5,040,962. In the prior year, the City recorded Water Trust Board grants that are in connection with our Navajo Gallup Pipeline project. Not all grant awards have been expended.
- Expenses for business-type activities increased \$625,790, which was caused by the increase in operations.

EXPENSES AND PROGRAM REVENUES – BUSINESS-TYPE ACTIVITIES



REVENUES BY SOURCE BUSINESS –TYPE ACTIVITIES



FINANCIAL ANALYSIS OF THE GOVERNMENT’S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City’s financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$26,245,811, an increase of \$3,579,648 in comparison with the prior year. The General Fund individually had an increase of \$811,045 in unreserved fund balance, which is available for spending at the City’s discretion.

The General Fund is the chief operating fund for the City. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$8,629,338 while total fund balance was \$10,532,270. As a measure of the General Fund’s liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 38.05% of total General Fund expenditures, and total fund balance represents 46.44% of that same amount. The expenditure calculation does not consider \$2,954,370 in net transfers out of the General Fund.

During the current fiscal year, the fund balance of the City’s General Fund increased by \$811,045. This reflects an increase of 6.21%. Key factors in this increase are as follows:

- Taxes increased by \$351,018, which was caused by influx of retail shoppers in our area. Many of Because of rising gas prices, many of our constituents were shopping in the Gallup area.
- Miscellaneous income increased by \$87,897 due to an auction of surplus equipment and vehicles.
- Interest income increased \$96,348 due to favorable interest rates the City was able to capitalize on even though we are experiencing a downturn in the national economy.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Total unrestricted net assets at the end of the year amounted to \$28,695,527. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget were relatively minor (\$1,021,556 increase in appropriations) is summarized briefly as follows:

- \$87,228 in increases allocated to general government departments
- \$611,804 in increases allocated to recreation departments
- \$288,305 in increases allocated to the police and fire departments
- 11,445 in increases allocated to the public works departments
- \$396,633 in increases allocated to capital outlay (mainly the result of the carryover of purchase orders from the prior year)
- \$511,390 increase in net operating transfers out (mainly the repayment/borrowings of interfund loans)

Of the increase, \$295,498 was funded out of charges for services and \$619,740 was funded from miscellaneous increases in various intergovernmental grants and interest income. The remaining \$1,541,567 was budgeted from available fund balance. During the year, however, expenditures and net transfers out were less than budgetary estimates, thus eliminating the need to draw upon existing fund balance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2009 amounts to \$136,287,108 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, vehicles, and distribution systems. The total increase in the City's investment in capital assets for the current fiscal year was 0.63% (1.33% decrease for governmental activities and 3.88% increase for business-type activities).

Major capital asset events during the current fiscal year included the following:

- Many bond projects, which were funded by debt issues in prior years, were completed. Some of the projects include sidewalk construction, water and sewer line reconstruction, and the continuation of the construction of a new wastewater treatment plant.
- In addition, the City was the recipient of many intergovernmental grants in prior years that were completed during this most current fiscal year.

CITY OF GALLUP'S CAPITAL ASSETS NET OF DEPRECIATION (AMOUNTS IN THOUSANDS)

| | Governmental Activities | | Business-type Activities | | Total Government | |
|-----------------------------------|-------------------------|------------------|--------------------------|-----------------|-------------------|-------------------|
| | <u>2009</u> | <u>2008</u> | <u>2009</u> | <u>2008</u> | <u>2009</u> | <u>2008</u> |
| Land | \$ 7,384 | \$ 7,384 | \$ 484 | \$ 484 | \$ 7,868 | \$ 7,868 |
| Distribution & collection Systems | 0 | 0 | 50,256 | 46,508 | 50,256 | 46,508 |
| Buildings & improvements | 74,112 | 73,470 | 34,414 | 33,865 | 108,526 | 107,335 |
| Infrastructure | 36,123 | 35,183 | 0 | 0 | 36,123 | 35,183 |
| Equipment | <u>15,606</u> | <u>15,754</u> | <u>11,033</u> | <u>10,418</u> | <u>26,639</u> | <u>26,172</u> |
| | <u>\$133,225</u> | <u>\$131,791</u> | <u>\$96,187</u> | <u>\$91,275</u> | <u>\$ 229,412</u> | <u>\$ 223,066</u> |

Additional information on the City's capital assets can be found on pages 39 and 40 of this report.

Long-term Debt. During the fiscal year, the City did not issue any new debt. In total, the City repaid \$3,539,390 of its total debt that was outstanding at June 30, 2008. At the end of the current fiscal year, the City had total bonded debt outstanding of \$45,525,000. Of this amount \$5,130,000 comprises debt back by property taxes, \$17,735,000 comprises debt backed by gross receipts tax revenues and \$22,660,000 is backed by revenue generated by Gallup Joint Utilities. The remaining balance of \$5,103,179 is made up of loans backed by specific operational revenue sources.

**CITY OF GALLUP'S OUTSTANDING DEBT
(AMOUNTS IN THOUSANDS)**

| | Governmental Activities | | Business-type Activities | | Total Government | |
|--------------------------|------------------------------------|-----------------|-------------------------------------|-----------------|-----------------------------|-----------------|
| | <u>2009</u> | <u>2008</u> | <u>2009</u> | <u>2008</u> | <u>2009</u> | <u>2008</u> |
| General obligation bonds | \$ 5,130 | \$ 5,590 | \$ 0 | \$ 0 | \$ 5,130 | \$ 5,590 |
| Sales tax revenue bonds | 17,735 | 18,980 | 0 | 0 | 17,735 | 18,980 |
| Revenue bonds | 0 | 0 | 22,660 | 23,910 | 22,660 | 23,910 |
| Loans payable | <u>1,720</u> | <u>1,981</u> | <u>3,383</u> | <u>3,706</u> | <u>5,103</u> | <u>5,687</u> |
| | <u>\$24,585</u> | <u>\$26,551</u> | <u>\$26,043</u> | <u>\$27,616</u> | <u>\$50,628</u> | <u>\$54,167</u> |

The City bonds are rated only by Moody's. Currently the City maintains an A3 rating on its general obligation bonds and an A2 rating on its sales tax bonds. Gallup Joint Utilities maintains an A1 rating on its revenue bonds from Moody's and an A rating from Fitch.

State statutes limit the amount of general obligation debt a governmental entity may issue to four percent (4%) of its total assessed valuation. The current debt limitation for the City is approximately \$12.1 million, with \$6.1 million as remaining capacity.

Additional information on the City's long-term debt can be found on pages 41 through 44 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Budget revenues were projected flat. Although, the City has seen about a three percent (3%) growth rate in charges for services and taxes over the past few years.
- The City budgeted for increased costs in personnel due to labor union contracts.
- Inflationary trends in the region compare favorably to national indices.

During the current fiscal year, unreserved fund balance in the general fund increased \$811,045. The City has appropriated \$2,613,975 of fund balance for spending in the 2010 fiscal year budget. It is intended that this use of available fund balance will avoid the need to raise taxes or charges for services during the 2010 fiscal year. Although City Council is looking at a quarter cent increase in gross receipts tax to fund much need capital outlay.

Gallup Joint Utilities were increased rates for the 2010 budget year. Rates increased by an average of 3.00% for all customers. These rate increases were necessary to finance debt service on the water and sewer distribution systems and to provide funding for electric and sanitation capital needs.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Gallup, Finance Department, P.O. Box 1270, Gallup, New Mexico 87305. In addition, information concerning the City's component unit, Gallup Housing Authority's and their complete financial statements can be obtained from the Gallup Housing Authority, 203 Debra, Gallup, New Mexico 87301.

BASIC FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
CITY OF GALLUP
STATEMENT OF NET ASSETS
JUNE 30, 2009**

| | PRIMARY GOVERNMENT | | | Component Unit |
|---|------------------------------------|-------------------------------------|-----------------------|---------------------------|
| | Governmental Activities | Business-type Activities | Total | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 12,909,551 | \$ 10,433,821 | \$ 23,343,372 | \$ 311,195 |
| Investments | 13,489,248 | 5,850,000 | 19,339,248 | - |
| Accounts receivable, net | 5,669,857 | 2,746,492 | 8,416,349 | 63,447 |
| Internal balances | - | - | - | - |
| Inventories | 386,460 | 2,301,420 | 2,687,880 | 12,581 |
| Prepaid expenses | - | - | - | - |
| Deferred charges | 192,724 | 162,057 | 354,781 | - |
| Restricted cash and cash equivalents | - | 9,213,267 | 9,213,267 | - |
| Capital assets: | | | | |
| Construction in progress | - | - | - | 23,450 |
| Land | 7,383,732 | 483,907 | 7,867,639 | 1,686,162 |
| Distribution and collections systems | - | 50,255,604 | 50,255,604 | - |
| Buildings and improvements | 74,111,540 | 34,413,633 | 108,525,173 | 10,147,921 |
| Infrastructure | 36,123,487 | - | 36,123,487 | - |
| Equipment | 15,606,303 | 11,033,009 | 26,639,312 | 573,626 |
| Less accumulated depreciation | (50,106,425) | (43,017,682) | (93,124,107) | (6,198,271) |
| Other assets held for sale | - | - | - | - |
| Total Assets | 115,766,477 | 83,875,528 | 199,642,005 | 6,620,111 |
| LIABILITIES | | | | |
| Accounts payable | 1,304,817 | 547,666 | 1,852,483 | 21,874 |
| Accrued wages and taxes | 620,307 | 272,652 | 892,959 | 10,106 |
| Deferred revenue | 1,202,903 | 107,496 | 1,310,399 | 328 |
| Payable from restricted assets | - | 744,772 | 744,772 | 37,772 |
| Accrued interest | 151,819 | 142,684 | 294,503 | - |
| Other current liabilities | - | - | - | 16,196 |
| Long-term obligations: | | | | |
| Compensated absences | 703,378 | 196,260 | 899,638 | 59,322 |
| Claims and judgements payable | 1,163,467 | - | 1,163,467 | - |
| Due within one year | 2,065,048 | 1,488,006 | 3,553,054 | - |
| Due in more than one year | 22,720,776 | 25,354,186 | 48,074,962 | - |
| Total Liabilities | 29,932,515 | 28,853,722 | 58,786,237 | 145,598 |
| NET ASSETS | | | | |
| Investment in capital assets, net of related debt | 58,332,813 | 26,326,279 | 84,659,092 | 6,232,888 |
| Restricted for: | | | | |
| Inventories | 386,460 | - | 386,460 | - |
| Encumbrances | 3,392,784 | - | 3,392,784 | - |
| Unrestricted | 23,721,905 | 28,695,527 | 52,417,432 | 241,625 |
| Total Net Assets | \$ 85,833,962 | \$ 55,021,806 | \$ 140,855,768 | \$ 6,474,513 |

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF GALLUP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

| FUNCTIONS/PROGRAMS | PROGRAM REVENUES | | | | NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS | | | |
|---|----------------------|----------------------|--------------------------|--------------------------|---|--------------------------|-----------------------|---------------------|
| | Expenses | Charges for Services | Operating | Capital | PRIMARY GOVERNMENT | | | Component Unit |
| | | | Grants and Contributions | Grants and Contributions | Governmental Activities | Business-type Activities | Total | |
| Primary Government: | | | | | | | | |
| General government | \$ 6,214,276 | \$ 1,196,180 | \$ - | \$ - | \$ (5,018,096) | \$ - | \$ (5,018,096) | \$ - |
| Culture and recreation | 6,390,596 | 8,954 | 442,153 | 112,642 | (5,826,847) | - | (5,826,847) | - |
| Public safety | 11,207,510 | 152,658 | 415,481 | 415,352 | (10,224,019) | - | (10,224,019) | - |
| Health and welfare | 1,178,994 | - | 287,601 | 34,502 | (856,891) | - | (856,891) | - |
| Public works | 5,117,935 | 2,132,711 | 9,414 | 965,517 | (2,010,293) | - | (2,010,293) | - |
| Interest on long-term debt | 1,153,347 | - | - | - | (1,153,347) | - | (1,153,347) | - |
| Total Governmental Activities | <u>31,262,658</u> | <u>3,490,503</u> | <u>1,154,649</u> | <u>1,528,013</u> | <u>(25,089,493)</u> | <u>-</u> | <u>(25,089,493)</u> | <u>-</u> |
| Business-type activities: | | | | | | | | |
| Culture and recreation | 778,505 | 421,953 | 100,000 | - | - | (256,552) | (256,552) | - |
| Electric | 16,130,067 | 20,728,876 | - | 100,300 | - | 4,699,109 | 4,699,109 | - |
| Wastewater | 3,010,114 | 3,201,329 | - | - | - | 191,215 | 191,215 | - |
| Water | 4,529,360 | 5,383,346 | - | - | - | 853,986 | 853,986 | - |
| Sanitation | 2,782,036 | 3,119,224 | 1,856 | - | - | 339,044 | 339,044 | - |
| Total Business-type Activities | <u>27,230,082</u> | <u>32,854,728</u> | <u>101,856</u> | <u>100,300</u> | <u>-</u> | <u>5,826,802</u> | <u>5,826,802</u> | <u>-</u> |
| Total Primary Government | <u>\$ 58,492,740</u> | <u>\$ 36,345,231</u> | <u>\$ 1,256,505</u> | <u>\$ 1,628,313</u> | <u>(25,089,493)</u> | <u>5,826,802</u> | <u>(19,262,691)</u> | <u>-</u> |
| COMPONENT UNIT: | | | | | | | | |
| Housing authority | <u>\$ 1,660,986</u> | <u>\$ 556,162</u> | <u>\$ 1,004,798</u> | <u>\$ 23,450</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(76,576)</u> |
| GENERAL REVENUES: | | | | | | | | |
| Taxes: | | | | | | | | |
| Property taxes, levied for general purposes | | | | | 2,106,416 | - | 2,106,416 | - |
| Property taxes, levied for debt service | | | | | 744,619 | - | 744,619 | - |
| Franchise taxes | | | | | 1,392,036 | - | 1,392,036 | - |
| Gross receipts taxes | | | | | 11,570,697 | 418,754 | 11,989,451 | - |
| Public service taxes | | | | | 1,125,293 | - | 1,125,293 | - |
| Grants and contributions not restricted to specific program | | | | | 9,481,798 | - | 9,481,798 | - |
| Miscellaneous income | | | | | 257,562 | 256,559 | 514,121 | 4,993 |
| Interest income | | | | | 791,733 | 529,883 | 1,321,616 | 5,026 |
| Net Transfers | | | | | 2,356,688 | (2,356,688) | - | - |
| Total General Revenues and Transfers | | | | | <u>29,826,842</u> | <u>(1,151,492)</u> | <u>28,675,350</u> | <u>10,019</u> |
| CHANGE IN NET ASSETS | | | | | <u>4,737,349</u> | <u>4,675,310</u> | <u>9,412,659</u> | <u>(66,557)</u> |
| Net Assets, Beginning of Year | | | | | <u>81,096,613</u> | <u>50,346,496</u> | <u>131,443,109</u> | <u>6,541,070</u> |
| Net Assets, End of Year | | | | | <u>\$ 85,833,962</u> | <u>\$ 55,021,806</u> | <u>\$ 140,855,768</u> | <u>\$ 6,474,513</u> |

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF GALLUP
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2009

| | | General | SPECIAL REVENUE FUND | | Total |
|--------------------------------------|-------|---------------|-------------------------|-----------------|--------------------|
| | | | Environmental Surcharge | Non Major Funds | Governmental Funds |
| ASSETS | | | | | |
| Cash and cash equivalents | TB-01 | \$ 3,391,376 | \$ 4,405,495 | \$ 4,039,583 | \$ 11,836,454 |
| Investments | TB-01 | 4,239,248 | 2,875,000 | 4,325,000 | 11,439,248 |
| Accounts receivable, net | | 4,813,516 | 115,343 | 740,998 | 5,669,857 |
| Due from other funds | | 100,000 | - | - | 100,000 |
| Inventories | | 386,460 | - | - | 386,460 |
| Total Assets | TB-01 | \$ 12,930,600 | \$ 7,395,838 | \$ 9,105,581 | \$ 29,432,019 |
| LIABILITIES AND FUND BALANCES | | | | | |
| LIABILITIES | | | | | |
| Accounts payable | | \$ 698,583 | \$ 10,390 | \$ 563,520 | \$ 1,272,493 |
| Accrued wages and taxes | | 570,254 | - | 40,558 | 610,812 |
| Due to other funds | | - | - | 100,000 | 100,000 |
| Deferred revenue | | 1,129,493 | - | 73,410 | 1,202,903 |
| Payable from restricted | | - | - | - | - |
| Total Liabilities | | 2,398,330 | 10,390 | 777,488 | 3,186,208 |
| FUND BALANCES | | | | | |
| Reserved for: | | | | | |
| Inventories | | 386,460 | - | - | 386,460 |
| Encumbrances | | 1,516,472 | 86,094 | 1,790,218 | 3,392,784 |
| Special revenue funds | | - | 7,299,354 | 2,400,031 | 9,699,385 |
| Debt service funds | | - | - | 1,518,926 | 1,518,926 |
| Capital projects funds | | - | - | 2,618,918 | 2,618,918 |
| Unreserved, reported in: | | | | | |
| General fund | | 8,629,338 | - | - | 8,629,338 |
| Total Fund Balances | | 10,532,270 | 7,385,448 | 8,328,093 | 26,245,811 |
| Total Liabilities and Fund Balances | | \$ 12,930,600 | \$ 7,395,838 | \$ 9,105,581 | |

Amounts reported for governmental activities in the statement of net assets are different because:

| | |
|---|----------------------|
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 83,117,070 |
| The internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. | 1,906,067 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. | (25,434,986) |
| Net Assets of Governmental Activities | <u>\$ 85,833,962</u> |

**STATE OF NEW MEXICO
CITY OF GALLUP
GOVERNMENTAL FUNDS
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2009**

| | General | SPECIAL REVENUE FUND | | Total Governmental Funds |
|---|----------------------|-------------------------|---------------------|--------------------------|
| | | Environmental Surcharge | Non Major Funds | |
| REVENUES | | | | |
| Intergovernmental income | \$ 816,307 | \$ 9,414 | \$ 1,846,942 | \$ 2,672,663 |
| Taxes | 15,069,148 | - | 1,869,912 | 16,939,060 |
| Operating grant - taxes | 8,641,885 | - | 839,913 | 9,481,798 |
| Charges for services | 1,196,180 | 1,288,140 | 161,613 | 2,645,933 |
| Miscellaneous income | 170,001 | - | 48,169 | 218,170 |
| Interest income | 546,715 | 178,940 | 49,665 | 775,320 |
| Total Revenues | 26,440,236 | 1,476,494 | 4,816,214 | 32,732,944 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 6,001,655 | - | (26,603) | 5,975,052 |
| Culture and recreation | 4,717,186 | - | 539,603 | 5,256,789 |
| Public safety | 8,776,486 | - | 310,952 | 9,087,438 |
| Health and welfare | 698,451 | - | 317,664 | 1,016,115 |
| Public works | 1,679,831 | 4,288 | 2,282,152 | 3,966,271 |
| Debt service: | | | | |
| Principal retirement | - | - | 1,966,083 | 1,966,083 |
| Interest and other charges | - | - | 1,173,479 | 1,173,479 |
| Capital outlay | 801,212 | - | 2,267,545 | 3,068,757 |
| Total Expenditures | 22,674,821 | 4,288 | 8,830,875 | 31,509,984 |
| Excess (Deficiency) of Revenues Over Expenditures | 3,765,415 | 1,472,206 | (4,014,661) | 1,222,960 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Loan proceeds | - | - | - | - |
| Operating transfers in | 2,689,821 | - | 7,628,958 | 10,318,779 |
| Operating transfers out | (5,644,191) | - | (2,317,900) | (7,962,091) |
| Total Other Financing Sources (Uses) | (2,954,370) | - | 5,311,058 | 2,356,688 |
| Net Change in Fund Balances | 811,045 | 1,472,206 | 1,296,397 | 3,579,648 |
| Fund Balance, Beginning of Year | 9,721,225 | 5,913,242 | 7,031,696 | |
| Fund Balance, End of Year | \$ 10,532,270 | \$ 7,385,448 | \$ 8,328,093 | |

Amounts reported for governmental activities in the statement of net assets are different because:

| | |
|---|---------------------|
| Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. | (1,121,040) |
| The internal service fund is used by management to charge the costs of insurance to individual funds. The net revenue is reported with governmental activities. | 346,478 |
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | 1,966,083 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | (33,820) |
| Change in Net Assets of Governmental Activities | \$ 4,737,349 |

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF GALLUP
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009**

| | <u>BUDGETED AMOUNTS</u> | | <u>Actual</u> | Variance with Final Budget Positive (Negative) |
|--|-------------------------|--------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | | <u>(Negative)</u> |
| REVENUES | | | | |
| Intergovernmental income | \$ 1,300,000 | \$ 1,919,740 | \$ 816,307 | \$ (1,103,433) |
| Taxes | 14,135,090 | 14,135,090 | 15,069,149 | 934,059 |
| Operating grant - taxes | 8,736,700 | 8,736,700 | 8,641,885 | (94,815) |
| Charges for services | 1,250,000 | 1,545,498 | 1,337,954 | (207,544) |
| Miscellaneous income | 69,600 | 69,600 | 170,001 | 100,401 |
| Interest income | 200,400 | 200,400 | 546,715 | 346,315 |
| Total Revenues | <u>25,691,790</u> | <u>26,607,028</u> | <u>26,582,011</u> | <u>(25,017)</u> |
| EXPENDITURES | | | | |
| General government | 7,098,590 | 7,185,818 | 6,421,452 | 764,366 |
| Culture and recreation | 5,364,250 | 5,976,054 | 4,740,839 | 1,235,215 |
| Public safety | 8,996,890 | 9,285,195 | 8,776,486 | 508,709 |
| Health and welfare | 626,020 | 656,009 | 627,933 | 28,076 |
| Public works | 1,891,050 | 1,902,495 | 1,679,831 | 222,664 |
| Principal retirement | - | - | - | - |
| Interest and other charges | - | - | - | - |
| Capital outlay | <u>1,260,000</u> | <u>1,656,633</u> | <u>801,212</u> | <u>855,421</u> |
| Total Expenditures | <u>25,236,800</u> | <u>26,662,204</u> | <u>23,047,753</u> | <u>3,614,451</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>454,990</u> | <u>(55,176)</u> | <u>3,534,258</u> | <u>3,589,434</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Designated cash | 1,693,790 | 2,715,346 | - | (2,715,346) |
| Transfers from other funds | 2,557,860 | 2,974,022 | 2,689,821 | (284,201) |
| Transfers to other funds | <u>(4,706,640)</u> | <u>(5,634,192)</u> | <u>(5,644,192)</u> | <u>(10,000)</u> |
| Total Other Financing Sources (Uses) | <u>(454,990)</u> | <u>55,176</u> | <u>(2,954,371)</u> | <u>(3,009,547)</u> |
| Net Change in Fund Balance | <u>\$ -</u> | <u>\$ -</u> | 579,887 | <u>\$ 579,887</u> |
| Fund Balance, Beginning of Year | | | <u>7,050,737</u> | |
| Fund Balance, End of Year | | | <u>\$ 7,630,624</u> | |

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF GALLUP
ENVIRONMENTAL SURCHARGE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009

| | BUDGETED AMOUNTS | | Actual | Variance with Final Budget Positive (Negative) |
|--|---------------------|-------------------|---------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental income | \$ - | \$ 9,414 | \$ 9,414 | \$ - |
| Taxes | - | - | - | - |
| Operating grant - taxes | - | - | - | - |
| Charges for services | 1,100,000 | 1,100,000 | 1,269,366 | 169,366 |
| Miscellaneous income | - | - | - | - |
| Interest income | <u>150,000</u> | <u>150,000</u> | <u>178,940</u> | <u>28,940</u> |
| Total Revenues | <u>1,250,000</u> | <u>1,259,414</u> | <u>1,457,720</u> | <u>198,306</u> |
| EXPENDITURES | | | | |
| General government | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Public safety | - | - | - | - |
| Health and welfare | - | - | - | - |
| Public works | 100,000 | 135,022 | (6,102) | (141,124) |
| Principal retirement | - | - | - | - |
| Interest and other charges | - | - | - | - |
| Capital outlay | <u>-</u> | <u>350,944</u> | <u>-</u> | <u>350,944</u> |
| Total Expenditures | <u>100,000</u> | <u>485,966</u> | <u>(6,102)</u> | <u>209,820</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>1,150,000</u> | <u>773,448</u> | <u>1,463,822</u> | <u>408,126</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Designated cash | - | - | - | - |
| Bond and loan proceeds | - | - | - | - |
| Transfers from other funds | - | - | - | - |
| Transfers to other funds | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ 1,150,000</u> | <u>\$ 773,448</u> | <u>1,463,822</u> | <u>\$ 408,126</u> |
| Fund Balance, Beginning of Year | | | <u>5,816,673</u> | |
| Fund Balance, End of Year | | | <u>\$ 7,280,495</u> | |

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF GALLUP
PROPRIETARY FUNDS
STATEMENTS OF NET ASSETS
JUNE 30, 2008

| ASSETS | BUSINESS TYPE ACTIVITIES | | | | GOVERNMENTAL |
|---|--------------------------|---------------------|---------------------|----------------------|---------------------|
| | Joint Utilities | Solid Waste | Non Major Funds | Total | Internal Service |
| CURRENT ASSETS | | | | | |
| Cash and cash equivalents | \$ 7,220,802 | \$ 1,791,458 | \$ 1,421,561 | \$ 10,433,821 | \$ 1,073,097 |
| Investments | 5,225,000 | 625,000 | - | 5,850,000 | 2,050,000 |
| Accounts receivable, net | 2,384,982 | 331,281 | 30,229 | 2,746,492 | - |
| Due from other funds | - | - | - | - | - |
| Inventories | 2,301,420 | - | - | 2,301,420 | - |
| Total Current Assets | <u>17,132,204</u> | <u>2,747,739</u> | <u>1,451,790</u> | <u>21,331,733</u> | <u>3,123,097</u> |
| NONCURRENT ASSETS | | | | | |
| Restricted cash and cash equivalents | 9,207,508 | - | 5,759 | 9,213,267 | - |
| Capital assets: | | | | | |
| Land | 416,528 | 45,500 | 21,879 | 483,907 | - |
| Distribution and collections systems | 49,586,314 | 669,290 | - | 50,255,604 | - |
| Buildings and improvements | 34,073,895 | 48,309 | 291,429 | 34,413,633 | 2,180 |
| Equipment | 7,899,463 | 3,126,625 | 6,921 | 11,033,009 | 55,331 |
| Less accumulated depreciation | (39,389,922) | (3,574,049) | (53,711) | (43,017,682) | (55,944) |
| Deferred charges | 162,057 | - | - | 162,057 | - |
| Total Noncurrent Assets | <u>61,955,843</u> | <u>315,675</u> | <u>272,277</u> | <u>62,543,795</u> | <u>1,567</u> |
| Total Assets | <u>79,088,047</u> | <u>3,063,414</u> | <u>1,724,067</u> | <u>83,875,528</u> | <u>3,124,664</u> |
| LIABILITIES | | | | | |
| CURRENT LIABILITIES | | | | | |
| Accounts payable | 278,917 | 248,840 | 19,909 | 547,666 | 32,324 |
| Accrued wages and taxes | 247,767 | 19,651 | 5,234 | 272,652 | 9,495 |
| Due to other funds | - | - | - | - | - |
| Deferred revenue | 86,093 | 21,403 | - | 107,496 | - |
| Compensated absences | 163,967 | 25,633 | 6,660 | 196,260 | 13,311 |
| Claims and judgements | - | - | - | - | 1,163,467 |
| Loans - current | 333,006 | - | - | 333,006 | - |
| Revenue bonds - current | 1,155,000 | - | - | 1,155,000 | - |
| Payable from restricted assets | 739,013 | - | 5,759 | 744,772 | - |
| Accrued interest | 142,684 | - | - | 142,684 | - |
| Total Current Liabilities | <u>3,146,447</u> | <u>315,527</u> | <u>37,562</u> | <u>3,499,536</u> | <u>1,218,597</u> |
| NONCURRENT LIABILITIES | | | | | |
| Landfill closure | - | - | - | - | - |
| Loans payable | 3,050,037 | 340,000 | - | 3,390,037 | - |
| Revenue bonds payable (net of unamortized premiums and discounts) | 21,964,149 | - | - | 21,964,149 | - |
| Total Noncurrent Liabilities | <u>25,014,186</u> | <u>340,000</u> | <u>-</u> | <u>25,354,186</u> | <u>-</u> |
| Total Liabilities | <u>28,160,633</u> | <u>655,527</u> | <u>37,562</u> | <u>28,853,722</u> | <u>1,218,597</u> |
| NET ASSETS | | | | | |
| Investment in capital assets, net of related debt | 26,084,086 | (24,325) | 266,518 | 26,326,279 | 1,567 |
| Unrestricted | 24,843,328 | 2,432,212 | 1,419,987 | 28,695,527 | 1,904,500 |
| Total Net Assets | <u>\$ 50,927,414</u> | <u>\$ 2,407,887</u> | <u>\$ 1,686,505</u> | <u>\$ 55,021,806</u> | <u>\$ 1,906,067</u> |

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF GALLUP
PROPRIETARY FUNDS
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009

| | BUSINESS TYPE ACTIVITIES | | | | GOVERNMENTAL |
|--|--------------------------|---------------------|---------------------|----------------------|--------------------------------|
| | Joint Utilities | Solid Waste | Non Major Funds | Total | ACTIVITIES Internal Service |
| OPERATING REVENUES | | | | | |
| Intergovernmental income | \$ 100,300 | \$ 1,856 | \$ 100,000 | \$ 202,156 | \$ 10,000 |
| Taxes | - | 418,754 | - | 418,754 | - |
| Operating grant - taxes | - | - | - | - | - |
| Charges for services | 29,024,501 | 3,015,806 | 814,421 | 32,854,728 | - |
| Miscellaneous income | 20,176 | - | 236,383 | 256,559 | 39,392 |
| Assessments | - | - | - | - | 2,111,460 |
| Total Operating Revenues | <u>29,144,977</u> | <u>3,436,416</u> | <u>1,150,804</u> | <u>33,732,197</u> | <u>2,160,852</u> |
| OPERATING EXPENSES | | | | | |
| Personnel services | 2,813,993 | 561,247 | 118,250 | 3,493,490 | 281,570 |
| Depreciation expense | 2,518,566 | 521,891 | 8,439 | 3,048,896 | 861 |
| Operating expenses | 17,117,689 | 1,663,378 | 786,618 | 19,567,685 | 1,548,356 |
| Total Operating Expenses | <u>22,450,248</u> | <u>2,746,516</u> | <u>913,307</u> | <u>26,110,071</u> | <u>1,830,787</u> |
| Operating Income (Loss) | <u>6,694,729</u> | <u>689,900</u> | <u>237,497</u> | <u>7,622,126</u> | <u>330,065</u> |
| NONOPERATING REVENUES (EXPENSES) | | | | | |
| Loss on sale of capital assets | - | - | - | - | - |
| Interest income | 462,950 | 53,096 | 13,837 | 529,883 | 16,413 |
| Bond issue costs | 19,285 | - | - | 19,285 | - |
| Interest and other charges | (1,139,296) | - | - | (1,139,296) | - |
| Total Nonoperating Revenues (Expenses) | <u>(657,061)</u> | <u>53,096</u> | <u>13,837</u> | <u>(590,128)</u> | <u>16,413</u> |
| Income (Loss) Before Operating Transfers | <u>6,037,668</u> | <u>742,996</u> | <u>251,334</u> | <u>7,031,998</u> | <u>346,478</u> |
| NET OPERATING TRANSFERS IN (OUT) | | | | | |
| Operating transfers from other funds | 2,810,204 | - | 66,972 | 2,877,176 | - |
| Operating transfers to other funds | (4,909,758) | (324,106) | - | (5,233,864) | - |
| Net Operating Transfers In (Out) | <u>(2,099,554)</u> | <u>(324,106)</u> | <u>66,972</u> | <u>(2,356,688)</u> | <u>-</u> |
| Change in Net Assets | 3,938,114 | 418,890 | 318,306 | 4,675,310 | 346,478 |
| Total Net Assets, Beginning of Year | <u>46,989,300</u> | <u>1,988,997</u> | <u>1,368,199</u> | <u>50,346,496</u> | <u>1,559,589</u> |
| Total Net Assets, End of Year | <u>\$ 50,927,414</u> | <u>\$ 2,407,887</u> | <u>\$ 1,686,505</u> | <u>\$ 55,021,806</u> | <u>\$ 1,906,067</u> |

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF GALLUP
PROPRIETARY FUNDS
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009

| | BUSINESS TYPE ACTIVITIES | | | | GOVERNMENTAL |
|--|--------------------------|---------------------|---------------------|----------------------|--------------------------------|
| | Joint Utilities | Solid Waste | Non Major Funds | Total | ACTIVITIES Internal Service |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Cash received from customers | \$ 29,138,512 | \$ 3,460,383 | \$ 1,149,345 | \$ 33,748,240 | \$ 2,200,852 |
| Cash paid to suppliers for goods and services | (17,822,840) | (1,600,776) | (808,897) | (20,232,513) | (1,805,641) |
| Cash paid to employees for services | (2,844,529) | (556,353) | (118,391) | (3,519,273) | (279,909) |
| Cash received from other funds for services | - | - | - | - | - |
| Net Cash Provided by (Used for) | | | | | |
| Operating Activities | <u>8,471,143</u> | <u>1,303,254</u> | <u>222,057</u> | <u>9,996,454</u> | <u>115,302</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | |
| Operating subsidies (to) from other funds | <u>(2,099,554)</u> | <u>(324,106)</u> | <u>66,972</u> | <u>(2,356,688)</u> | <u>-</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Interest earned | <u>462,950</u> | <u>53,096</u> | <u>13,837</u> | <u>529,883</u> | <u>16,413</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | |
| Acquisition of capital assets | (4,658,282) | (377,561) | - | (5,035,843) | - |
| Proceeds from the issuance of debt | - | - | - | - | - |
| Principal paid on capital debt | (1,573,307) | - | - | (1,573,307) | - |
| Interest paid on capital debt | <u>(1,147,862)</u> | <u>-</u> | <u>-</u> | <u>(1,147,862)</u> | <u>-</u> |
| Net Cash Provided by (Used for) Capital and Related Financing Activities | <u>(7,379,451)</u> | <u>(377,561)</u> | <u>-</u> | <u>(7,757,012)</u> | <u>-</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (544,912) | 654,683 | 302,866 | 412,637 | 131,715 |
| Cash and Cash Equivalents, Beginning of Year | <u>22,198,222</u> | <u>1,761,775</u> | <u>1,124,454</u> | <u>25,084,451</u> | <u>2,991,382</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 21,653,310</u> | <u>\$ 2,416,458</u> | <u>\$ 1,427,320</u> | <u>\$ 25,497,088</u> | <u>\$ 3,123,097</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | | | | | |
| Operating income (loss) | \$ 6,694,729 | \$ 689,900 | \$ 237,497 | \$ 7,622,126 | \$ 330,065 |
| Adjustments to reconcile net operating income to net cash provided by operating activities: | | | | | |
| Depreciation | 2,518,566 | 521,891 | 8,439 | 3,048,896 | 861 |
| (Increase) decrease in accounts receivable | 35,610 | 40,354 | (5,222) | 70,742 | - |
| Increase (decrease) in provision for doubtful accounts | (169,080) | (15,762) | 2,306 | (182,536) | - |
| (Increase) decrease in inventories | (64,109) | - | - | (64,109) | - |
| Increase (decrease) in accounts payable | (641,042) | 82,602 | (22,279) | (580,719) | (8,969) |
| Increase (decrease) in accrued wages and taxes | (5,779) | 4,358 | (315) | (1,736) | 1,109 |
| Increase (decrease) in due to other funds | - | - | - | - | 40,000 |
| Increase (decrease) in compensated absences | (24,757) | 536 | 174 | (24,047) | 552 |
| Increase (decrease) in claims and adjustments | - | - | - | - | (248,316) |
| Increase (decrease) in deferred revenue | 50,130 | (625) | - | 49,505 | - |
| Decrease in payable from restricted assets | 76,875 | - | 1,457 | 78,332 | - |
| Decrease in landfill postclosure | - | (20,000) | - | (20,000) | - |
| Net Cash Provided by (Used for) Operating Activities | <u>\$ 8,471,143</u> | <u>\$ 1,303,254</u> | <u>\$ 222,057</u> | <u>\$ 9,996,454</u> | <u>\$ 115,302</u> |

**STATE OF NEW MEXICO
CITY OF GALLUP
AGENCY FUNDS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2009**

| | <u>Agency Funds</u> |
|---------------------------|-------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ <u>367,660</u> |
| Total Assets | \$ <u>367,660</u> |
| LIABILITIES | |
| Accounts payable | \$ 3,012 |
| Special projects payable | <u>364,648</u> |
| Total Liabilities | \$ <u>367,660</u> |

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
CITY OF GALLUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Gallup, New Mexico (the "City") is a home rule municipality operating under the powers granted by the constitution and laws of the State of New Mexico. An elected mayor and four-member council govern the City. The accompanying financial statements present the government and its component unit, an entity for which the government is considered financially accountable. The City's discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Discrete Component Unit

The Gallup Housing Authority (the Authority) is responsible for providing low-income public housing services within the city limits. A board appointed by the City's elected council governs the Authority. However, the City is financially accountable for the Authority because the City's council must approve any debt issuances and the legal liability for the general obligation portion of the Authority's debt remains with the City. The Authority is presented as an enterprise fund.

Complete financial statements for the component unit may be obtained at the entity's administrative office.

Gallup Housing Authority
203 Debra
Gallup, New Mexico 87301.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the City's accounting policies are described below.

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, which is effective for financial statements for periods beginning after January 1, 2003. The City elected to implement the general provision of the statement in 2003 and retroactively reported infrastructure acquired after December 31, 1979 and prior to January 1, 2003 in the fiscal year ended June 30, 2007.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government and its component unit. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree, to which the direct expenses, of a given function or segment, are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

**STATE OF NEW MEXICO
CITY OF GALLUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds are reported using the *current financial resources measurement focus* and are accounted for using the *modified accrual basis of accounting*. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales and use (gross receipts) taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The *General Fund* is the primary operating fund of the City. This fund is used to account for all financial resources traditionally associated with government except those required to be accounted for in another fund.

The *Environmental Surcharge Special Revenue Fund* accounts for the accumulation of and payments made for environmental surcharge payments.

The City reports the following major proprietary funds:

The *Joint Utilities Enterprise Fund* accounts for the activities of the City's electric, wastewater, and water systems.

The *Solid Waste Enterprise Fund* accounts for the activities of the City's refuse system. Activities of the fund include administration and operation and maintenance of the solid waste system. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for Solid Waste debt. All costs are financed through charges to sanitation customers.

Additionally, the City reports the following fund types:

The *Internal Service Fund* is used to account for the operations of the Risk Management Fund which services the City's departments on a cost-reimbursement basis.

**STATE OF NEW MEXICO
CITY OF GALLUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Agency funds are custodial in nature (assets equal liabilities) and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds account for assets that the City holds for others in an agency capacity.

Proprietary funds use the flow of economic resources measurement focus for accounting purposes. The accounting objectives are a determination of net income, financial position and changes in cash flow. The Proprietary Funds are accounted for using the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred. The City applies all applicable FASB pronouncements issued after November 30, 1989, to government wide financial statements (business-type activities) and to proprietary funds in the fund financial statements.

As a rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's electric, wastewater, water, solid waste and insurance functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available to use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services, although subsidies may be used for operating or capital to some degree. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Subsequent Accounting Standard Pronouncements

In June 2007, the GASB issued Statement No. 51, Accounting and financial Reporting for Intangible Assets, which is effective for financial statements for periods beginning after June 15, 2009. This statement requires that all intangible assets not specifically excluded by its scope provision be classified as capital assets. The City is analyzing the effect that this standard will have on its financial statements.

In November 2007, the GASB issued Statement No. 52, Land and Other Real Estate Held as Investments by Endowments, which is effective for financial statement periods beginning after June 15, 2008. This statement requires endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income.

**STATE OF NEW MEXICO
CITY OF GALLUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Subsequent Accounting Standard Pronouncements (Continued)

In June 2008, the GASB issued Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, which is effective for financial statement periods beginning after June 15, 2009. This statement requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting.

In March 2009, the GASB issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, which is effective for financial statement periods beginning after June 15, 2010. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

E. Assets, Liabilities, and Fund Equity

Cash and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of two years or less from the date of acquisition.

Under New Mexico State statutes, the City can invest in obligations of the U.S. Treasury and the State Treasurer's Investment Pool (LGIP).

Investments of the City are reported at fair value. The LGIP operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangement outstanding at the end of the fiscal year are referred to as either "due to/from other funds". Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

**STATE OF NEW MEXICO
CITY OF GALLUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities and Fund Equity (Continued)

Receivables and Payables (Continued)

All trade receivables are shown net of an allowance for doubtful accounts. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for doubtful accounts.

Property taxes are levied as of November 1st on property values assessed as of January 1st. Property taxes, collected by McKinley County (the County), are due in two equal installments on November 10th and April 10th. The billings are considered past due 60 days after the respective billing date, at which time the applicable property is subject to lien, and penalties and interest are assessed.

The City is permitted to levy taxes for general operating purposes based on taxable value for residential and nonresidential property, taxable value being defined as one third of the fully assessed value. In addition, the City is allowed to levy taxes for payments of bond principal and interest in an amount approved by the City. The City's total tax rate to finance general government services for the year ended June 30, 2009 was \$7.650 per \$1,000 for nonresidential property and \$5.135 per \$1,000 for residential property. The City's tax rate for debt service was \$2.220 for both residential and non-residential property.

Inventories

The inventory held in the General Fund consists of expendable supplies and museum artifacts held in custody for an outside agency. Inventories are valued at a weighted average cost using the first-in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. The General Fund reports a fund balance reserve for inventories, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. The inventory recorded in Proprietary Funds consists of supplies valued at a weighted average cost. Inventories of business-type funds are recorded as expenses when consumed rather than when purchased.

Restricted Assets

Certain proceeds of the City revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets, since their use is limited by applicable bond covenants. In addition, the City has imposed designations on cash balances for specific purposes.

Capital Assets

Capital assets which include property, plant, furniture, vehicles and equipment (including software), and infrastructure assets (roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are recorded at cost or if contributed at their fair market value at contribution. Assets capitalized have an original cost of \$5,000 or more and have an estimated useful life greater than one year. Capital assets, if purchased or constructed, are recorded at historical costs or estimated historical cost if original cost was not available.

Repairs and maintenance that do not add to the value of the assets or materially extend the asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as the project is completed. Information Technology Equipment, including software, is being capitalized and included in machinery and equipment. The City expenses the cost of library books when purchased.

**STATE OF NEW MEXICO
CITY OF GALLUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities and Fund Equity (Continued)

Capital Assets (Continued)

Depreciation has been calculated on each class of depreciable property using the straight-line method over the following estimated useful lives:

| | <u>Years</u> |
|------------------------------|--------------|
| Buildings | 40 |
| Building improvements | 40 |
| Public domain infrastructure | 40 |
| System infrastructure | 40 |
| Vehicles | 6 |
| Miscellaneous equipment | 6 |

Compensated Absences

The City's policy allows employees to accumulate limited amounts of vacation and sick pay, which are payable to the employee upon termination or retirement. For Governmental Funds, expenditures are recognized during the period in which the amount are payable from current available resources. A liability for amounts accrued is recorded in the related funds. For Proprietary Funds, vacation and sick leave costs are recognized when incurred. This liability includes an accrual of all related employer payroll taxes.

Long-term Obligations

In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds, using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund statements, bond premiums and discounts, as well as bond issuance costs, are recognized during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported net of discounts received. The net amount is reported as either an other financing source or use. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In fund financial statements, reservations of fund balance represent amounts that are not appropriate or are legally segregated for a specific purpose. Reservations of retained earnings are limited to outside third-party restrictions. Designations of fund balance represent tentative management plans, which are subject to change.

Components of Net Assets: Components of net assets include the following:

1. Net assets invested in capital assets net of related debt consists of capital assets, net of accumulated depreciation and reduced by the outstanding balance of debt issued to finance the acquisition, improvement, or construction of those assets.
2. Restricted net assets include net assets that are subject to constraints on their use by creditors, grantors, enabling legislation, and the bond indentures. These are the replacement reserves and the bond escrow accounts.
3. Unrestricted net assets are available for general use by the District for any obligation or expense.

**STATE OF NEW MEXICO
CITY OF GALLUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 2: RECONCILIATION OF GOVERNMENT –WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.” The details of the \$25,434,986 difference are as follows:

| | |
|--|---------------------|
| Bonds payable | \$22,865,000 |
| Loans payable | 1,720,136 |
| Less: deferred charge for issuance costs (to be amortized over life of debt) | (192,724) |
| Issuance premium (to be amortized as interest expense) | 200,688 |
| Accrued interest | 151,819 |
| Compensated absences | <u>690,067</u> |
| Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities | <u>\$25,434,986</u> |

B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net assets – governmental activities as reported in the government – wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$1,121,040 difference are as follows:

| | |
|--|-----------------------|
| Capital outlay | \$ 3,068,757 |
| Depreciation expense | <u>(4,189,797)</u> |
| Net adjust to increase net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities | <u>\$ (1,121,040)</u> |

Another element of that reconciliation states that “The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$1,966,083 difference are as follows:

| | |
|---|--------------------|
| Principal Repayments: | |
| Revenue bond debt | \$1,245,000 |
| General obligation debt | 460,000 |
| Loans payable | <u>261,083</u> |
| Net adjustment to increase net changes in fund – total governmental funds to arrive at changes in net assets of governmental activities | <u>\$1,966,083</u> |

**STATE OF NEW MEXICO
CITY OF GALLUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

**NOTE 2: RECONCILIATION OF GOVERNMENT –WIDE AND FUND FINANCIAL STATEMENTS
(CONTINUED)**

B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities (Continued)

Another element of that reconciliation explains that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$33,820 difference are as follows:

| | |
|---|--------------------------|
| Compensated absences | \$(53,952) |
| Accrued interest | 25,223 |
| Amortization of bond issuance costs | (18,034) |
| Amortization of bond premiums | <u>12,943</u> |
| Net adjustment to increase net changes in fund – total governmental funds to arrive at changes in net assets of governmental activities | <u><u>\$(33,820)</u></u> |

NOTE 3: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except for the capital projects funds, which adopt project-length budgets, and agency funds, which are not budgeted. All annual appropriations lapse at fiscal year end. The City follows the following procedures in establishing the budgetary data reflected in the financial statements.

During the month of March, all directors submit requests for appropriations to the Treasurer and Finance Director so that a budget may be prepared. Before May 31, the proposed budget is presented to the City Council for review. The council holds public hearings and a final budget must be prepared and adopted no later than June 1. The Local Government Division of the Department of Finance and Administration (DFA) of the State of New Mexico must approve the City's budget.

The finance department prepares the budget by fund, department, and functional category (personnel, operations, and capital outlay). This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. The City's department directors may make transfers of appropriations within a department's functional category. The City's council can transfer budgeted amounts within departments within any fund. However, any revision that alters the total expenditures of any fund must be approved by council and by DFA. The City had four (4) revisions to the budget for the year ending, June 30, 2009.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

**STATE OF NEW MEXICO
CITY OF GALLUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 3: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

B. Excess of Expenditures/Expenses Over Appropriations

The General Fund's budgeted expenditures exceeded its revenues and transfers by \$2,715,346. Actual expenditures did not exceed actual revenues.

The Emergency Medical Services Special Revenue Fund budgeted that expenditures would exceed revenues and transfers by \$1,404. Available cash balance funded the actual decrease in net fund balance of \$1,404.

The Fire Special Revenue Fund budgeted that expenditures would exceed revenues and transfers by \$407,478. Available cash balance funded the actual decrease in net fund balance of \$260,252.

The Law Enforcement Protection Special Revenue Fund budgeted that expenditures would exceed revenues and transfers by \$37,069. Available cash balance funded the actual decrease in net fund balance of \$32,963.

The Juvenile Recreation Special Revenue Fund budgeted that expenditures would exceed revenues and transfers by \$31,339. Available cash balance funded the actual decrease in net fund balance of \$21,493.

The Intergovernmental Grants Special Revenue Fund budgeted that expenditures would exceed revenues and transfers by \$182,094. Available cash balance funded the actual decrease in net fund balance of \$120,226.

The following Special Revenue Funds budgeted expenditures exceeding their special revenue appropriation and transfers. In no case did actual expenditures exceed actual revenues.

| | |
|-------------------|-----------|
| Lodgers' Tax | \$201,100 |
| Municipal Gas Tax | 389,359 |

The New Mexico Finance Authority Service Fund budgeted that expenditures would exceed revenues and transfers by \$202,099. Available cash balance funded the actual decrease in net fund balance of \$160,006.

The 11/00 Sales Tax Capital Projects Fund budgeted that expenditures would exceed revenues and transfers by \$247,319. Available cash balance funded the actual decrease in net fund balance of \$26,145.

The General Obligation Bond Capital Projects Fund budgeted that expenditures would exceed revenues and transfers by \$305,065. Available cash balance funded the actual decrease in net fund balance of \$181,196.

The 02/04 Sales Non Tax Bond Capital Projects Fund budgeted that expenditures would exceed revenues and transfers by \$95,010. Available cash balance funded the actual decrease in net fund balance of \$70,854.

The 02/04 Sales Tax Bond Capital Projects Fund budgeted that expenditures would exceed revenues and transfers by \$59,087. Available cash balance funded the actual decrease in net fund balance of \$10,048.

The following Capital Project Funds budgeted expenditures exceeding revenues and transfers. In no case did actual expenditures exceed actual revenues.

| | |
|--------------------|------------|
| Infrastructure GRT | \$ 527,603 |
| Public Works | 1,275,572 |

**STATE OF NEW MEXICO
CITY OF GALLUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 3: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

B. Excess of Expenditures/Expenses Over Appropriations (Continued)

The Joint Utilities Enterprise Fund budgeted that expenses would exceed revenues and transfers by \$10,878,995. Available cash balance funded the actual decrease in net fund balance of \$544,913.

The Wrangler Junior High School Rodeo Enterprise Fund budgeted that expenses would exceed revenues and transfers by \$110,466. Available cash balance funded the actual decrease in net fund balance of \$1,784.

The following Enterprise Funds budgeted expenses exceeded their budgeted revenues and transfers. In no case did actual expenses exceed actual revenues.

| | |
|--------------------|-----------|
| Solid Waste | \$787,240 |
| The Fitness Center | 59,087 |

The Risk Management Internal Service Fund budgeted that expenses would exceed revenues and transfers by \$155,447. Actual expenditures did not exceed actual revenues.

C. GAAP to Budgetary Basis Reconciliation

The following are reconciliations between the Non-GAAP budgetary basis amounts and the GAAP financial statements basis by fund type.

| | <u>General</u> | Major Governmental Fund Environmental Surcharge | Non-major Governmental Funds | Internal Service |
|---|---------------------|--|------------------------------------|---------------------|
| Governmental Activities | | | | |
| Net change in fund balance (GAAP basis) | \$ 811,045 | \$1,472,206 | \$1,296,397 | \$ 346,478 |
| Adjustments to: | | | | |
| Revenues for tax accruals, interest, and other deferrals and accruals | 141,773 | (18,774) | (97,705) | 40,000 |
| Expenditures for payables, prepaid expenses and other accruals | <u>(372,931)</u> | <u>10,390</u> | <u>58,965</u> | <u>(254,763)</u> |
| Net change in fund balance (budget basis) | <u>\$ 579,887</u> | <u>\$1,463,822</u> | <u>\$1,257,657</u> | <u>\$ 131,715</u> |
| | | | Non-major Proprietary Funds | |
| Business-type Activities | | Major Proprietary Funds <u>Joint Utilities</u> <u>Solid Waste</u> | | |
| Change in net assets (GAAP basis) | \$ 3,938,114 | \$418,890 | \$318,305 | |
| Adjustments to: | | | | |
| Revenues for tax accruals, interest, and other deferrals and accruals | 1,666,660 | 23,966 | (2,569) | |
| Expenses for payables, prepaid expenses and other accruals | <u>(6,149,686)</u> | <u>211,827</u> | <u>(12,870)</u> | |
| Change in net assets (budget basis) | <u>\$ (544,912)</u> | <u>\$654,683</u> | <u>\$302,866</u> | |

D. Deficit Fund Equity

No funds reported a deficit fund balance as of June 30, 2009

**STATE OF NEW MEXICO
CITY OF GALLUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 4: DETAILED NOTES ON ALL FUNDS

A. Pooled Cash and Investments

Below is a summary of the City's cash and cash equivalents.

| | <u>FM Value</u> | <u>Bank Balance</u> | <u>Maturities</u> |
|--|---------------------|---------------------|-------------------|
| Depository Accounts | | | |
| Checking | \$ 3,959,721 | \$ 3,014,519 | |
| Money Market | 2,705,674 | 2,706,976 | |
| Cash with Fiscal Agent | <u>3,221,955</u> | <u>3,221,955</u> | |
| | <u>9,887,350</u> | <u>8,943,450</u> | |
| Investments | | | |
| State Investment Pool | 23,877 | 23,877 | 6.5 Month Average |
| Treasury Notes | 19,339,248 | 19,339,248 | Six Year or Less |
| Certificate of Deposits | <u>23,000,000</u> | <u>23,000,000</u> | Two Year or Less |
| | <u>42,363,125</u> | <u>42,363,125</u> | |
| | 52,250,475 | 51,306,575 | |
| Cash on Hand | <u>13,072</u> | <u>0</u> | |
| | 52,263,547 | 51,306,575 | |
| Component Unit Cash | <u>310,970</u> | <u>342,614</u> | |
| Total cash and cash equivalents | <u>\$52,574,517</u> | <u>\$51,649,189</u> | |

The City invests in the State Investment Pool, which is valued at fair value based on quoted market prices as of the valuation date. The State Treasurer Local Government Investment Pool is not SEC registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasury to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts fund were invested. Participation in the local government investment pool is voluntary. Collateral pledged to secure the State Treasurer's cash and investments can be reviewed in the agency's complete financial statements. A copy can be obtained from the New Mexico State Treasurer, P.O. Box 608, Santa Fe, New Mexico 87504.

Detail of pledged collateral specific to the City's deposit with the New Mexico Finance Authority (NMFA) is unavailable because the bank commingles pledged collateral for all state funds it holds. However, the State Treasurer's Office Collateral Bureau monitors pledged collateral for all state funds held by state agencies in such "authorized" bank accounts.

In the state statutes it allows for money markets. They do not have to be collateralized because there is fixed income securities or debt instruments inside the fund. Money at banks has to be collateralized because if the bank goes under that's it. A fund is made up of many different fixed income assets with short term maturities. The fund also has a AAA rating from the Moody's.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the even of a bank failure, the government's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of June 30, 2009, the City's bank balance exposed to custodial credit risk as follows:

| | |
|--------------------------------|-------------|
| Uninsured and uncollateralized | \$9,726,725 |
|--------------------------------|-------------|

**STATE OF NEW MEXICO
CITY OF GALLUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Pooled Cash and Investments (Continued)

Interest Rate Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The portfolio's weighted average maturity (WAM) is a key determinant of the tolerance of a fund's investments to rising interest rates. At June 30, 2009, the City's investment of New MexiGROW LGIP had a value of \$23,877 and a 50 day WAM.

Credit Risk

State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of June 30, 2009, the City's investment in the state investment pool was AAAM by Moody's Investor's Service.

B. Accounts Receivable

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the fiscal year, deferred and unearned revenue reported in the governmental funds were as follows:

| | <u>Unavailable</u> | <u>Unearned</u> |
|----------------------|--------------------|-----------------|
| Property taxes | \$ 110,951 | \$ 0 |
| Gross receipts taxes | 1,018,542 | 0 |
| | \$1,129,493 | \$ 0 |

Receivables as of year-end for the government's individual major and non-major funds and internal service fund in the aggregate, including the applicable allowances for uncollectible accounts follow:

| | <u>General</u> | <u>Major Governmental Fund Environmental Surcharge</u> | <u>Non-major Governmental Funds</u> | <u>Internal Service</u> | <u>Total</u> |
|---------------------------------|----------------|--|---|-----------------------------|-------------------|
| Governmental Activities | | | | | |
| Receivables | | | | | |
| Intergovernmental | \$ 126,552 | \$ 0 | \$ 342,315 | \$ 0 | \$468,867,468,867 |
| Taxes | 4,658,432 | 0 | 398,683 | 0 | 5,057,115 |
| Charges for services | 154,744 | 132,385 | 30,152 | 14,296 | 331,577 |
| Other | (8,156) | 17,152 | 0 | 0 | 8,996 |
| Gross Receivables | 4,931,572 | 149,537 | 771,150 | 14,296 | 5,866,555 |
| Allowance for doubtful accounts | (118,056) | (34,194) | (30,152) | (14,296) | (-196,698) |
| Net Receivables | \$4,813,516 | \$ 115,343 | \$ 740,998 | \$ 0 | \$5,669,857 |

| | <u>Major Proprietary Funds Joint Utilities</u> | <u>Solid Waste</u> | <u>Non-major Proprietary Funds</u> | <u>Total</u> |
|---------------------------------|--|--------------------|--|--------------|
| Business-type Activities | | | | |
| Receivables | | | | |
| Taxes | \$ 0 | \$ 91,661 | \$ 0 | \$91,661 |
| Charges for services | 3,331,114 | 292,106 | 99,210 | 3,722,430 |
| Other | 33,087 | 33,236 | (29,109) | 37,214 |
| Gross Receivables | 3,364,201 | 417,003 | 70,101 | 3,851,305 |
| Allowance for doubtful accounts | (979,219) | (85,722) | (39,872) | (1,104,813) |
| Net Receivables | \$ 2,384,982 | \$331,281 | \$ 30,229 | \$2,746,492 |

**STATE OF NEW MEXICO
CITY OF GALLUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

| | Beginning Balance | Additions | Deletions | Adjustments & Transfers | Ending Balance |
|--|----------------------|-----------------------|--------------------|----------------------------|----------------------|
| Governmental Activities | | | | | |
| Capital assets, not being depreciated | | | | | |
| Land | \$ 7,383,732 | \$ 0 | \$ 0 | \$ 0 | \$ 7,383,732 |
| Capital assets, being depreciated | | | | | |
| Buildings | 73,470,446 | 641,094 | 0 | 0 | 74,111,540 |
| Infrastructure | 35,183,434 | 940,053 | 0 | 0 | 36,123,487 |
| Equipment | 15,754,186 | 1,487,610 | (1,760,200) | 124,707 | 15,606,303 |
| Total capital assets, being depreciated | <u>124,408,066</u> | <u>3,068,757</u> | <u>(1,760,200)</u> | <u>124,707</u> | <u>125,841,330</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings | (19,247,640) | (1,883,050) | 0 | 0 | (21,130,690) |
| Infrastructure | (14,794,729) | (1,286,474) | 0 | 0 | (16,081,203) |
| Equipment | (13,508,891) | (1,021,134) | 1,760,200 | (124,707) | (12,894,532) |
| Total accumulated depreciation | <u>(47,551,260)</u> | <u>(4,190,658)</u> | <u>1,760,200</u> | <u>(124,707)</u> | <u>(50,106,425)</u> |
| Total capital assets, net of depreciation | <u>76,856,806</u> | <u>(1,121,901)</u> | <u>0</u> | <u>0</u> | <u>75,734,905</u> |
| Governmental activities capital assets, net | <u>\$ 84,240,538</u> | <u>\$ (1,121,901)</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 83,118,637</u> |
| | | | | | |
| | Beginning Balance | Additions | Deletions | Adjustments & Transfers | Ending Balance |
| Business-type Activities | | | | | |
| Capital assets, not being depreciated | | | | | |
| Land | \$ 483,907 | \$ 0 | \$ 0 | \$ 0 | \$ 483,907 |
| Capital assets, being depreciated | | | | | |
| Distribution systems | 46,508,276 | 3,747,328 | 0 | 0 | 50,255,604 |
| Buildings | 33,864,909 | 548,724 | 0 | 0 | 34,413,633 |
| Equipment | 10,417,925 | 739,791 | 0 | (124,707) | 11,033,009 |
| Total capital assets, being depreciated | <u>90,791,110</u> | <u>5,035,843</u> | <u>0</u> | <u>(124,707)</u> | <u>95,702,246</u> |
| Less accumulated depreciation for: | | | | | |
| Distribution systems | (20,946,958) | (1,260,909) | 0 | 0 | (22,207,867) |
| Buildings | (11,556,100) | (862,793) | 0 | 0 | (12,418,893) |
| Equipment | (7,590,435) | (925,194) | 0 | 124,707 | (8,390,922) |
| Total accumulated depreciation | <u>(40,093,493)</u> | <u>(3,048,896)</u> | <u>0</u> | <u>124,707</u> | <u>(43,017,682)</u> |
| Total capital assets, net of depreciation | <u>50,697,617</u> | <u>1,986,947</u> | <u>0</u> | <u>0</u> | <u>52,684,564</u> |
| Business-type activities capital assets, net | <u>\$ 51,181,524</u> | <u>\$ 1,986,947</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 53,168,471</u> |

Depreciation expense was charged to function/programs of the primary government as follows:

| | |
|--|---------------------|
| Governmental Activities | |
| General government | \$ 1,150,754 |
| Culture and recreation | 898,477 |
| Public safety | 1,680,035 |
| Health and welfare | 129,073 |
| Public works | 332,319 |
| Total Depreciation Expense – Governmental Activities | <u>\$ 4,190,658</u> |

**STATE OF NEW MEXICO
CITY OF GALLUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets (Continued)

| | |
|---|---------------------|
| Business-type Activities | |
| Electric | \$ 493,296 |
| Wastewater | 975,592 |
| Water | 1,042,820 |
| Administration | 6,858 |
| Sanitation | 521,891 |
| Culture and recreation | <u>8,439</u> |
| Total Depreciation Expense – Business-type Activities | <u>\$ 3,048,896</u> |

D. Internal Balances

Receivables and payables from inter-fund transactions are the result of cash overdrafts. Below are inter-fund balances as of June 30, 2009.

GOVERNMENTAL ACTIVITIES

| | |
|--|-----------|
| Due to General Fund from Non-major Capital Project Fund | \$100,000 |
|--|-----------|

Net operating transfers are as follows:

| | <u>Transfer In</u> | <u>Transfer Out</u> | <u>Transfer Out Purpose</u> |
|--------------------------|---------------------|---------------------|---|
| MAJOR FUNDS | | | |
| Governmental Activities | | | |
| General Fund | \$ 2,689,821 | \$ 5,644,191 | Operating subsidies, debt services, and capital project transfers |
| Business-type Activities | | | |
| Joint Utilities | 2,810,204 | 4,909,758 | Debt service and operating subsidies |
| Solid Waste | <u>0</u> | <u>324,106</u> | Operating subsidy |
| Total Major Funds | <u>5,500,025</u> | <u>10,878,055</u> | |
| NON-MAJOR FUNDS | | | |
| Governmental Activities | | | |
| Non-major Funds | 7,628,958 | 2,317,900 | Operating subsidies, debt services, and capital project transfers |
| Business-type Activities | | | |
| Non-major Funds | <u>66,972</u> | <u>0</u> | Operating subsidy |
| Total Non-major Funds | <u>7,695,930</u> | <u>2,317,900</u> | |
| Total Funds | <u>\$13,195,955</u> | <u>\$13,195,955</u> | |

E. Leases

Operating Leases

The City leases office equipment, machinery, golf carts, and a fire truck under short-term cancelable operating leases. Rental expenses for the year ended June 30, 2009 was \$504,068.

**STATE OF NEW MEXICO
CITY OF GALLUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Long-Term Liabilities

Landfill Closure Costs

State and Federal laws and regulations required that the City place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty (30) years after closure. In addition to operating expenditures related to current activities of the landfill, an expenditure provision and related liability are being recognized based on the future post-closure care costs that will be incurred near or after the date the landfill no longer accepts waste. As of June 30, 2009, the landfill is closed and post-closure monitoring activities were taking place. The Solid Waste Enterprise Fund accounts for the landfill post-closure care costs and had accrued \$340,000 as of year-end, which is 100% of the capacity consumed at that date. The City does not foresee changes in technology, inflation or environmental standards that would result in significant modification to our estimate. The primary source of repayment is from Gross Receipts Tax.

General Obligation Bonds

The City issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. The original amount of general obligation bonds issued in February 2004 was \$7,305,000.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as twenty (20) year serial bonds with equal amounts of principal maturing each year. Shortly after the bonds were issued, the City refinanced these bonds with a loan from the New Mexico Finance Authority. By doing so the City shortened the life of the bonds to seventeen (17) years and tied into interest rates ranging from 0.87% to 4.22%. Principal is paid annually each August and interest is paid semiannually each February and August. Payments range from \$40,696 to \$250,170. General obligation bonds currently outstanding are as follows:

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> |
|-------------|--------------------|-------------------|
| 2010 | \$ 485,000 | \$ 168,032 |
| 2011 | 510,000 | 154,481 |
| 2012 | 540,000 | 138,794 |
| 2013 | 570,000 | 121,245 |
| 2014 | 600,000 | 101,959 |
| 2015-2019 | 1,945,000 | 237,905 |
| 2020-2021 | <u>480,000</u> | <u>20,373</u> |
| | <u>\$5,130,000</u> | <u>\$ 942,789</u> |

Sales Tax Revenue Bonds

The City also issues bonds where the City pledges income from the receipt of sales tax revenue (Gross Receipts Tax). Sales tax bonds have been issued for governmental activities. The original amount of sales tax bonds issued in prior years was \$24,915,000. These bonds provided funds for the construction of many City capital improvements. The City pledges an intercept of gross receipts tax (GRT) revenues for these bonds, which have varying interest rates that range from 3.0% to 5.2%.

**STATE OF NEW MEXICO
CITY OF GALLUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Long-Term Liabilities (Continued)

Sales tax bonds outstanding at year end are as follows:

| | <u>Amount</u> | <u>Maturity Date</u> |
|------------------|---------------------|----------------------|
| February 2004 | | |
| Capital Projects | \$ 9,670,000 | June 1, 2024 |
| Capital Projects | <u>3,955,000</u> | June 1, 2015 |
| | 13,625,000 | |
| November 2000 | | |
| Infrastructure | <u>4,110,000</u> | June 1, 2016 |
| | <u>\$17,735,000</u> | |

Annual debt service requirements to maturity for all capital project sales tax revenue bonds are as follows:

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> |
|-------------|---------------------|---------------------|
| 2010 | \$ 785,000 | \$ 606,265 |
| 2011 | 815,000 | 578,115 |
| 2012 | 850,000 | 545,077 |
| 2013 | 885,000 | 508,477 |
| 2014 | 745,000 | 468,140 |
| 2015-2019 | 4,275,000 | 1,808,408 |
| 2020-2024 | <u>5,270,000</u> | <u>807,100</u> |
| | <u>\$13,625,000</u> | <u>\$ 5,321,582</u> |

Annual debt service requirements to maturity for all infrastructure sales tax revenue bonds are as follows:

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> |
|-------------|--------------------|-------------------|
| 2010 | \$ 505,000 | \$ 210,564 |
| 2011 | 530,000 | 184,051 |
| 2012 | 555,000 | 158,081 |
| 2013 | 585,000 | 130,331 |
| 2014 | 615,000 | 100,496 |
| 2015-2016 | <u>1,320,000</u> | <u>104,415</u> |
| | <u>\$4,110,000</u> | <u>\$ 887,938</u> |

Revenue Bonds

The City also issues bonds where the City pledges income derived from the net revenues from the operations of the municipal joint water and sewer distribution systems. Revenue bonds have been issued for business type activities. The original amount of revenue bonds issued in prior years was \$28,720,000.

These bonds provided funds for the completion of many capital improvement projects for the City's water and wastewater distribution systems. Interest rates on bonds range between 3.0% and 4.5%.

Revenue bonds outstanding at year end are as follows:

| | <u>Amount</u> | <u>Maturity Date</u> |
|------------------|---------------------|----------------------|
| March 2004 | | |
| Capital Projects | \$ 2,615,000 | June 1, 2023 |
| January 2005 | | |
| Capital Projects | <u>20,045,000</u> | June 1, 2025 |
| | <u>\$22,660,000</u> | |

**STATE OF NEW MEXICO
CITY OF GALLUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Long-Term Liabilities (Continued)

Revenue bond debt service requirements to maturity are as follows:

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> |
|-------------|---------------------|---------------------|
| 2010 | \$ 1,155,000 | \$ 1,001,771 |
| 2011 | 1,210,000 | 964,609 |
| 2012 | 1,250,000 | 923,034 |
| 2013 | 1,290,000 | 877,118 |
| 2014 | 1,345,000 | 826,639 |
| 2015-2019 | 7,645,000 | 3,210,956 |
| 2020-2024 | 7,375,000 | 1,372,245 |
| 2025 | <u>1,390,000</u> | <u>69,500</u> |
| | <u>\$22,660,000</u> | <u>\$ 9,245,872</u> |

Capital Loans

The City has also issued low interest rate loans provided by intergovernmental agencies for the acquisition of minor equipment needs and construction of major capital facilities. Capital loans have been issued for both governmental and business-type activities. The original amount of capital loans issued in prior years was \$8,721,827.

The City obtained a loan from the New Mexico Finance Authority in June 2007 to construct a west side fire station. The original loan amount was \$1,452,605 with interest rates ranging from 3.40% to 3.86%. The term of the loan is fifteen (15) years with payments commencing November 2008. Principal is paid annually each May and interest is paid semiannually each November and May. Payments range from \$2,829 to \$140,541.

Debt service requirements to maturity of this loan are as follows:

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> |
|-------------|--------------------|------------------|
| 2010 | \$ 19,203 | \$ 57,333 |
| 2011 | 86,630 | 56,613 |
| 2012 | 89,913 | 53,338 |
| 2013 | 93,329 | 49,930 |
| 2014 | 96,894 | 46,375 |
| 2015-2019 | 544,082 | 172,410 |
| 2020-2023 | <u>519,240</u> | <u>54,164</u> |
| | <u>\$1,449,291</u> | <u>\$490,163</u> |

The City also had obtained a loan from the New Mexico Finance Authority in January 2001 for the purchase of equipment. The original amount of the loan was \$2,082,222 with interest ranging from 4.3% to 4.87%. The term of the loan is ten (10) years with payments commencing May 2010. Principal is paid annually each May and interest is paid semiannually each November and May. Payments range from \$89,907 to \$277,779.

Debt service requirement to maturity of this loan is as follows:

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> |
|-------------|------------------|-----------------|
| 2009 | \$ 270,845 | \$ 13,190 |

**STATE OF NEW MEXICO
CITY OF GALLUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Long-Term Liabilities (Continued)

The Joint Utilities Fund received a loan not to exceed \$5,187,000 from the New Mexico Environment Department in September 1999. These funds will be used for the construction of a new lift station and for substantial upgrades at the wastewater plant. The final close out of the loan was on January 31, 2003, with the City's first payment due December 13, 2003. Pledged revenues after payment of operation and maintenance expenses will repay the loan over a fifteen (15) year period, at an interest rate of 3.0%. Annual payments total \$434,497.

Debt service requirements to maturity of this loan are as follows:

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> |
|-------------|--------------------|-------------------|
| 2010 | \$ 333,006 | \$ 101,491 |
| 2011 | 342,996 | 91,501 |
| 2012 | 353,286 | 81,211 |
| 2013 | 363,885 | 70,613 |
| 2014 | 374,801 | 59,696 |
| 2015-2018 | <u>1,615,069</u> | <u>122,920</u> |
| | <u>\$3,383,043</u> | <u>\$ 527,432</u> |

Changes in Long-Term Liabilities

In prior years, unamortized bond premiums were classified as other assets. The City has reclassified these amounts as a part of long-term liabilities (debt). Long-term liability activity for the year ended June 30, 2009 was as follows:

| | <u>Outstanding 07/01/08</u> | <u>Additions</u> | <u>Reductions</u> | <u>Outstanding 06/30/09</u> | <u>Due Within One Year</u> |
|---------------------------------|---------------------------------|--------------------|---------------------|---------------------------------|--------------------------------|
| Governmental Activities | | | | | |
| General obligation bonds | \$ 5,590,000 | \$ 0 | \$ 460,000 | \$ 5,130,000 | \$ 485,000 |
| Sales tax bonds | 18,980,000 | 0 | 1,245,000 | 17,735,000 | 1,290,000 |
| Capital loans | 1,981,219 | 0 | 261,083 | 1,720,136 | 290,048 |
| Bond premiums | 213,631 | 0 | 12,943 | 200,688 | 0 |
| Compensated absences | 648,874 | 76,824 | 22,320 | 703,378 | 0 |
| Claims and judgments | <u>1,411,783</u> | <u>(135,507)</u> | <u>112,809</u> | <u>1,163,467</u> | <u>0</u> |
| Total Governmental Activities | <u>28,825,507</u> | <u>(58,683)</u> | <u>2,114,155</u> | <u>26,652,669</u> | <u>2,065,048</u> |
| Business-type Activities | | | | | |
| Landfill closure | 360,000 | 0 | 20,000 | 340,000 | 0 |
| Revenue bonds | 23,910,000 | 0 | 1,250,000 | 22,660,000 | 1,155,000 |
| Capital loans | 3,706,350 | 0 | 323,307 | 3,383,043 | 333,006 |
| Bond premiums | 489,667 | 0 | 30,518 | 459,149 | 0 |
| Compensated absences | <u>220,307</u> | <u>0</u> | <u>24,047</u> | <u>196,260</u> | <u>0</u> |
| Total Business-type Activities | <u>28,686,324</u> | <u>0</u> | <u>1,647,872</u> | <u>27,038,452</u> | <u>1,488,006</u> |
| Total Primary Government | <u>\$57,511,831</u> | <u>\$ (58,683)</u> | <u>\$ 3,762,027</u> | <u>\$53,691,121</u> | <u>\$3,553,054</u> |

In prior years, the General Fund was typically used to liquidate long-term liabilities other than debt.

**STATE OF NEW MEXICO
CITY OF GALLUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Restricted Assets

The balances of the restricted cash and cash equivalents are as follows:

| | |
|-------------------------------|--------------------|
| Business-type Activities | |
| Restricted for meter deposits | \$ 739,013 |
| Restricted for debt service | 4,704,130 |
| Restricted for construction | <u>3,764,365</u> |
| Total Primary Government | <u>\$9,207,508</u> |

NOTE 5: OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. The City established a limited risk management program for workers' compensation in Fiscal Year 1988. A New Mexico Self Insurers' Fund is the third party administrator of this program. Premiums are paid into the Risk Management Internal Service fund by all other funds and are available to pay claims, claims reserves and administrative costs of the program. Net assets are designated to cover claims that have been incurred but not reported. In fiscal year 2009 net assets increased by \$346,478.

The City self-insures its workers' compensation liability with risk retention of \$250,000 per accident with a fund's specific limit of insurance being \$1,750,000. The City is required to maintain a fund to ensure that income in this special fund is sufficient during the fiscal year to cover it's obligations for future claims and costs for this policy period. These obligations may be calculated as the reserves and IBNR within the City's specific and aggregate retentions as reflected in the funds monthly reports to the City, plus any outstanding amounts due to the fund herein, less the loss fund deposit.

Changes in the Internal Service Fund's workers' compensation claims were as follows:

| | |
|-------------------------------|--------------------|
| Beginning of year balance | \$1,411,783 |
| Claims and estimates incurred | (135,507) |
| Payments on claims | <u>(112,809)</u> |
| End of year balance | <u>\$1,163,467</u> |

**STATE OF NEW MEXICO
CITY OF GALLUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 5: OTHER INFORMATION (CONTINUED)

B. Segment Information - Enterprise Funds

The City issues revenue bonds to finance its water and wastewater departments. The two departments are accounted for in the Joint Utilities Fund, along with the electric department. Investors in those bonds rely solely on the revenue generated by the individual activities for repayment. The Water Department operates the City's water supply system. The Wastewater Department operates the City's sewage treatment plant, sewage pumping stations, and collection systems. Summary financial information is presented below.

| CONDENSED STATEMENT OF NET ASSETS | <u>Wastewater</u> | <u>Water</u> |
|---|--------------------------|----------------------|
| ASSETS | | |
| Current assets | \$ 6,606,804 | \$ 6,986,682 |
| Capital assets | 22,012,025 | 23,661,638 |
| Non-current assets | <u>71,758</u> | <u>90,299</u> |
| Total Assets | <u>\$28,690,587</u> | <u>\$ 30,738,619</u> |
| LIABILITIES | | |
| Current liabilities | \$ 199,218 | \$ 183,053 |
| Payable from restricted | 79,292 | 131,929 |
| Non-current liabilities | <u>15,509,325</u> | <u>11,045,405</u> |
| Total Liabilities | <u>15,787,835</u> | <u>11,360,387</u> |
| NET ASSETS | | |
| Investment in capital assets, net of related debt | 6,718,982 | 12,911,638 |
| Unrestricted | <u>6,183,770</u> | <u>6,466,594</u> |
| Total Net Assets | <u>12,902,752</u> | <u>19,378,232</u> |
| Total Liabilities and Net Assets | <u>\$28,690,587</u> | <u>\$ 30,738,619</u> |

| CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS | <u>Wastewater</u> | <u>Water</u> |
|---|--------------------------|----------------------|
| Operating revenues | \$ 3,116,337 | \$ 5,185,055 |
| Personnel services | (369,243) | (593,297) |
| Depreciation expense | (975,592) | (1,042,820) |
| Amortization expense | 8,698 | 10,587 |
| Operating expenses | <u>(989,614)</u> | <u>(2,349,615)</u> |
| Net Operating Income/(Loss) | 790,586 | 1,209,910 |
| Non-operating revenues (expenses) | | |
| Interest income | 215,207 | 104,693 |
| Interest and other charges | (654,423) | (484,873) |
| Transfers from (to) other funds | <u>815,971</u> | <u>(2,343,902)</u> |
| Change in net assets | 1,167,341 | (1,514,172) |
| Beginning Net Assets | <u>11,735,411</u> | <u>20,892,404</u> |
| Ending Net Assets | <u>\$ 12,902,752</u> | <u>\$ 19,378,232</u> |

| CONDENSED STATEMENT OF CASH FLOWS | | |
|--|---------------------|---------------------|
| Net cash provided by (used for): | | |
| Operating activities | \$ 1,426,504 | \$ 2,031,326 |
| Non-capital financing activities | 815,971 | (2,343,902) |
| Investing activities | 215,207 | 104,693 |
| Capital financing activities | <u>(1,649,552)</u> | <u>(5,246,553)</u> |
| Net increase (decrease) in cash and cash equivalents | 808,130 | (5,454,436) |
| Beginning cash and cash equivalents | <u>5,284,625</u> | <u>11,598,588</u> |
| Ending cash and cash equivalents | <u>\$ 6,092,755</u> | <u>\$ 6,144,152</u> |

**STATE OF NEW MEXICO
CITY OF GALLUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 5: OTHER INFORMATION (CONTINUED)

C. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the city expects such amounts, if any, to be immaterial.

The City was a defendant in various claims and lawsuits at June 30, 2009. Although the outcome of these suits and claims is not presently determinable, it is the opinion of legal counsel that all claims were within insurance policy limits or risk management provisions.

The City of Gallup adopted ordinance no. S95-3, wherein the City incurs a special limited obligation, in conjunction with Cibola County, Village of Milan, City of Grants and McKinley County, to pay a principal amount not to exceed \$8,250,000, together with interest thereon, for the purpose of defraying the cost of acquiring and constructing a solid waste disposal facility as a member of the Northwest New Mexico Regional Solid Waste Authority.

The obligation is payable first from "tipping fees" generated by the New Mexico Regional Solid Waste Authority. Secondly, the City and other members, pursuant to the agreements, have pledged their environmental gross receipts tax revenues and the Governmental units grant a security interest therein for the payment of the principal of, premium, if any, and interest on, and any other, amounts due under the loan, subject to the uses thereof permitted by, and the priorities set forth in this ordinance. The loan constitutes an irrevocable and first lien, but not necessarily an exclusive first lien, on the pledged revenues as set forth herein and therein. The City and other members have agreed to jointly exercise common powers and contributions in proportion to the percentage of the total environmental gross receipts tax contributed by each entity. This results in the following percentages:

| | |
|------------------|-------------|
| City of Gallup | 37% |
| City of Grants | 12% |
| Village of Milan | 3% |
| Cibola County | 10% |
| McKinley County | <u>38%</u> |
| | <u>100%</u> |

D. PERA Pension Plan

Substantially all of the City's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits, and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. To obtain a copy of this report, contact PERA directly. PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123.

Chapter 10, Article 11 NMSA 1978 establishes the City's contribution requirements of plan members. State statute requires the City to contribute 21.25% of a firefighter's salary, 18.50% of a police officer's salary, 16.65% of an adult detention officer's salary, and 9.15% of a regular employee's salary. These statutes also require that plan members who are police officers contribute 16.30% of their gross salary, fire fighters contribute 16.20%, adult detention officers contribute 16.65%, and regular employees contribute 13.15%. However, the City is has elected to adopt the 75% pick-up provision allowed by state statute thereby reducing all employee contributions. Percentages are as follows:

**STATE OF NEW MEXICO
CITY OF GALLUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 5: OTHER INFORMATION (CONTINUED)

D. PERA Pension Plan

| | <u>City Pickup</u> | <u>Employee</u> | <u>Total</u> |
|-----------------|--------------------|-----------------|--------------|
| Firefighters | 12.00% | 4.20% | 16.20% |
| Police Officers | 12.00% | 4.30% | 16.30% |
| Regular | 9.86% | 3.29% | 13.15% |

The state legislature may amend contribution requirements specified under the statute. All amounts expended were equal to the required contribution amounts for each year. The City's contributions to PERA for the years ending 2009, 2008, and 2007 are as follows:

| | <u>FY 2009</u> | <u>FY 2008</u> | <u>FY 2007</u> |
|------------------|--------------------|--------------------|--------------------|
| Firefighters | \$ 508,287 | \$ 473,034 | \$ 384,892 |
| Police Officers | 736,749 | 630,956 | 547,549 |
| Regular | <u>1,580,769</u> | <u>1,605,174</u> | <u>1,504,785</u> |
| TOTAL GOVERNMENT | <u>\$2,825,805</u> | <u>\$2,709,164</u> | <u>\$2,437,226</u> |

E. Post Employment Benefits

PLAN DESCRIPTION: The Retiree Health Care Act (the "Act") (10-7C-1 to 10-7C-16 NMSA 1978) provides comprehensive core group health insurance for persons who have retired from selected public services in New Mexico. The purpose is to provide eligible retirees, their spouses, dependents, surviving spouses, and surviving dependents with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds flowing into the Retiree Health Care Fund and by co-payments or out-of-pocket payments of eligible retirees. Funding flows to the Retiree Health Care Fund on a pay-as-you-go basis from eligible employers and eligible retirees. Eligible employers are institutions of higher education, school districts, or other entities participating in the Public School Insurance Authority, State Agencies, State Courts, Magistrate Courts, Municipalities or Counties, which are affiliated under or covered by the Educational Retirement Act (ERA), the Public Employees Retirement Act, Volunteer Firefighters Retirement Act, Judicial Retirement Act or the Magistrate Retirement Act. Eligible retirees are (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that time made contributions as a participant in the Retiree Health Care Act on the person's behalf unless that person retires before the employer's NMRHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; or (2) retirees defined by the Act who retired prior to July 1, 1990; and former legislators who served at least two years.

FUNDING POLICY: Each participating employer makes contributions to the fund in the amount of 1.3 percent of each participating employee's annual salary. Each employee contributes to the fund an employee contribution in an amount equal to 0.65 percent of the employee's salary. Each participating retiree pays a monthly premium for the medical plus basic life plan and an additional participation fee of five dollars (\$5.00) if the eligible participant retired prior to the employer's NMRHCA effective date or is a former legislator. Participants may also enroll in optional plans of coverage. Contributions from participating employers and participating employees become the property of the Retiree Health Care Fund and are not refundable under any circumstance, including termination of employment or termination of the participating employer's operation or participation in the Retiree Health Care Act. The employer, employee, and retiree contributions are required to be remitted to the Retiree Health Care Authority on a monthly basis.

ANNUAL COST: During the fiscal year ended June 30, 2009, the City remitted \$159,289 in employer contributions to the Retiree Health Care Authority. The City's annual cost, for the preceding two years were \$157,274 and \$151,695, respectively.

**STATE OF NEW MEXICO
CITY OF GALLUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 5: OTHER INFORMATION (CONTINUED)

F. Retirement Plan

The Retiree Health Care Authority issues a separate, publicly available audited financial report that includes post employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee, and retiree), and net expenditures for the fiscal year. The report also includes the approximate number of retirees participating in the plan. A copy of the report may be obtained by writing to the Retiree Health Care Authority, 4308 Carlisle Blvd. NE, Suite 104, Albuquerque, NM 87107.

The City approved an optional 401 EX (A) plan on March 19, 2001, with implementation on April 18, 2001. This deferred compensation plan was created in accordance with IRC Section 401. The plan is available for any City employee who is covered under a retirement plan other than PERA and who is exempt from PERA coverage, under PERA rules. The City's contribution percentage is equal to 19.01% of the employee's gross salary. Employees have the option to make employee contributions to the plan. International City/County Managers Association (ICMA) Retirement Corporation administers the plan. One City employee participated in the plan. As of June 30, 2009, the City's contributions totaled \$3,992, which equaled the required contribution amounts for the year.

The City provides two (2) optional deferred compensation 457 plans. These plans were created in accordance with IRC Section 457. The plans are available to any City employee. Nationwide Retirement Solutions, Inc. and International City/County Managers Association (ICMA) Retirement Corporation administer the individual plans. Employee contributions totaled \$141,217 (\$113,356 Nationwide and \$27,861 ICMA) for the year ending June 30, 2009.

G. Labor Unions

On October 14, 2009, the City and the Gallup Firefighters Union adopted a collective bargaining agreement. The terms of the agreement shall continue in full force and terminate on October 13, 2012. Employees covered under this plan include non-probationary firefighters up to the rank of battalion commanders.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

NON MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for a specific purpose

Correction Fees Fund accounts for a \$10 fee imposed upon conviction of an individual as stipulated under Section 35-14-11 NMSA 1978. The funds collected are restricted to use in the operation of the City's jail facilities.

Emergency Medical Service (EMS) Fund accounts for funds made available to municipalities in proportion to their needs for use in the establishment of emergency medical services in order to reduce injury and loss of life under Section 24-10A and 24-10B NMSA 1978. These funds are to be spent on the training of personnel and non-administrative expenditures involved in providing this service.

Fire Fund accounts for the accumulation of resources from the State's Fire Protection Fund. These funds are to be used for the operation and maintenance and betterment of local fire districts under Section 59A-53-1 to 59A-53-17 NMSA 1978.

Law Enforcement Protection Fund accounts for the accumulation of resources received from the City's equitable distribution of funds to municipal police under Section 29-13 NMSA 1978. The funds are for the use in the maintenance and improvement of the police department in order to enhance their effectiveness.

Special Library Fund accounts for the accumulation of resources received from the New Mexico State Grant in Aid. Under Chapter 59 of the laws of 1981 and the New Mexico State Library Rule 81-2 funds are limited to the purchase of books and other non-administrative purchases for the library.

Lodgers' Tax Fund accounts for the resources from the lodgers' tax levied by the City under Sections 3-38-13 to 3-38-24 NMSA 1978. The occupancy tax is imposed and collected on certain revenues of lodging establishments. The funds may be used for tourist related facilities, advertising, promotions, collecting and administering the tax, and various other uses as cited in the state law.

Municipal Gas Tax Fund accounts for resources received from the one-cent gasoline tax imposed by Section 7-1-6.27 NMSA 1978. The funds are to be used for the reconstruction, resurfacing, maintaining and repairing, or otherwise improvement of existing or new alleys, streets, roads, or bridges.

Juvenile Recreation Fund accounts for the accumulation of resources from the City's distribution of the State's one-cent cigarette tax. These funds are to be spent on the operation of recreation facilities, including salaries of instructors and other employees within the guidelines set forth on disposition of revenues collected under the authority of the laws of the State of New Mexico (Section 7-12-15- NMSA 1978).

NON MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS (CONTINUED)

Intergovernmental Grants Fund accounts for the resources from various City governmental grants. These funds are to be spent on expenditures outlined in the grant awards (Resolution R2002-10).

Senior Citizens Fund accounts for the resources from the New Mexico Area Agency on Aging. The funds are to be spent on expenditures associated with the operation of the City's Senior Citizen Centers (Resolution R2002-10).

Na'Nizhoozhi (NCI) Fund was established by the City (Resolution R2002-10) to account for pass-through funds from the Department of Health and Human Services. These funds are intended for use by Na' Nizhoozhi Center to provide Native American Residential Treatments and Aftercare Expansion.

Community Development Block Grant Fund accounts for the accumulation of resources received from the U.S. Department of Housing and Urban Development (Federal CFDA 14.859). These funds are a part of the comprehensive housing program of rehabilitation and new construction (Resolution R2002-10).

Law Enforcement Block Grant Fund accounts for the accumulation of resources received from the U.S. Department of Justice (CFDA 16.592). The funds are to be spent on police equipment, other allowable program expenses, and these resources and any other matching funds can earn interest (Resolution R2002-10).

DEBT SERVICE FUNDS

Debt service funds are used to account for the accumulation of resources and payment of principal and interest on the City's general bonded debt

The 02/04 Sales Tax Revenue Bond Fund accounts for the accumulation of resources for and the payment of, principal and interest of sales tax revenue bonds issued February 9, 2004. The resources of this fund are generated by the City's share of the gross receipts tax and lodgers' tax.

The New Mexico Finance Authority Fund accounts for the accumulation of resources for and the payment of, principal and interest of a restricted loan used for the purchase of two fire trucks. The repayment source is generated by the City's share of the State's Fire Fund. It also accounts for the accumulation of resources and the payment of interest of restricted loans used for the purchase of equipment and for construction of capital projects around the City. The repayment source is generated by the City's gross receipts tax share.

The 11/00 Sales Tax Revenue Bond Fund accounts for the accumulation of resources for and the payment of, principal and interest of sales tax revenue bond issued November 1, 2000. The resources of this fund are generated by the City's share of the gross receipts tax.

NON MAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECTS FUNDS

Capital project funds are used to account for the acquisition and construction of major capital projects other than those financed by proprietary funds

The Airport Capital Project Fund accounts for the financial resources for the construction of taxiway facilities and the improvements on runways. Resources are provided by the U.S. Department of Transportation and grants from the State of New Mexico.

The Infrastructure GRT Capital Projects Fund accounts for the financial resources received from the 1/12% GRT imposed for infrastructure.

The 11/00 Sales Tax Bond Capital Project Fund accounts for financial resources to be used for various City infrastructure projects that were received from the issuance of the November 2003 Sales Tax Revenue Bonds. Projects will total \$7,260,000.

The Legislative Appropriations Capital Project Fund accounts for the financial resources received from the State of New Mexico. Resources are restricted by project. Funds are received on a cost reimbursement basis, once the City completes the project.

The General Obligation Bond Capital Projects Fund accounts for the financial resources provided by the NMFA loan that refunded the December 2003 general obligation bonds. Proceeds will be used to build a new fire station, for sidewalk improvements, and for various recreational projects totaling \$6,715,000.

The 02/04 Sales Non Tax Bond Capital Projects Fund accounts for the financial resources provided by the February 2004 Sales Tax Bonds. Proceeds are to be used for the reconstruction of the Downtown Plaza and for public art work. These projects will total \$1,422,514 and represent the non-taxable portion of the bond proceeds.

The 02/04 Sales Tax Bond Capital Projects Fund accounts for the financial resources provided by the February 2004 Sales Tax Bonds. Proceeds are to be used to refund the 1997 and 1999 issues and for the construction of a new aquatic center, for the installation of field turf on two (2) baseball fields, for various street improvements, for condemnation and urban renewal, and for various recreational projects, which total \$12,295,985. This fund accumulates the costs of the capital projects that will be funded from the taxable portion of the bond proceeds.

The Public Works Capital Project Fund accounts for the financial resources for various capital construction projects. Transfers from various funds and grants from the State of New Mexico provide resources for the construction projects.

STATE OF NEW MEXICO
CITY OF GALLUP
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2008

SPECIAL REVENUE FUNDS

| | Correction Fees | Emergency Medical Services | Fire | Law Enforcement Protection | Special Library | Lodgers' Tax |
|--|--------------------|----------------------------------|-------------------|----------------------------------|--------------------|---------------------|
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 463,201 | \$ - | \$ 147,226 | \$ 4,106 | \$ 76,547 | \$ 295,973 |
| Investments | - | - | - | - | - | 600,000 |
| Accounts receivable, net | - | - | - | - | - | 143,448 |
| Due from other funds | - | - | - | - | - | - |
| Inventories | - | - | - | - | - | - |
| Total Assets | \$ 463,201 | \$ - | \$ 147,226 | \$ 4,106 | \$ 76,547 | \$ 1,039,421 |
| LIABILITIES AND FUND BALANCES | | | | | | |
| LIABILITIES | | | | | | |
| Accounts payable | \$ - | \$ - | \$ 4,643 | \$ 1,314 | \$ 156 | \$ 17,730 |
| Accrued wages and taxes | - | - | - | - | - | - |
| Due to other funds | - | - | - | - | - | - |
| Deferred revenue | - | - | - | - | - | - |
| Payable from restricted | - | - | - | - | - | - |
| Total Liabilities | - | - | 4,643 | 1,314 | 156 | 17,730 |
| FUND BALANCES | | | | | | |
| Reserved for: | | | | | | |
| Inventories | - | - | - | - | - | - |
| Encumbrances | - | 3,889 | 22,502 | - | (22) | 42,618 |
| Unreserved, reported in: | | | | | | |
| General fund | - | - | - | - | - | - |
| Special revenue funds | 463,201 | (3,889) | 120,081 | 2,792 | 76,413 | 979,073 |
| Debt service funds | - | - | - | - | - | - |
| Capital projects funds | - | - | - | - | - | - |
| Total Fund Balances | 463,201 | - | 142,583 | 2,792 | 76,391 | 1,021,691 |
| Total Liabilities and Fund Balances | \$ 463,201 | \$ - | \$ 147,226 | \$ 4,106 | \$ 76,547 | \$ 1,039,421 |

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF GALLUP
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (CONTINUED)
JUNE 30, 2008

SPECIAL REVENUE FUNDS

| | <u>Municipal Gas Tax</u> | <u>Juvenile Recreation</u> | <u>Intergovern- mental Grants</u> | <u>Senior Citizens</u> | <u>Na' Nizhoozhi Center</u> | <u>Community Development</u> |
|--|------------------------------|--------------------------------|---------------------------------------|----------------------------|---------------------------------|----------------------------------|
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 397,915 | \$ 52,012 | \$ 66,632 | \$ 2,644 | \$ 14,377 | \$ 18,656 |
| Investments | 630,000 | - | - | - | - | 140,000 |
| Accounts receivable, net | 198,552 | 2,318 | 61,200 | 99,138 | - | 24,128 |
| Due from other funds | - | - | - | - | - | - |
| Inventories | - | - | - | - | - | - |
| Total Assets | \$ 1,226,467 | \$ 54,330 | \$ 127,832 | \$ 101,782 | \$ 14,377 | \$ 182,784 |
| LIABILITIES AND FUND BALANCES | | | | | | |
| LIABILITIES | | | | | | |
| Accounts payable | \$ 335,412 | \$ 140 | \$ 10,365 | \$ 10,984 | \$ - | \$ 6,314 |
| Accrued wages and taxes | 34,103 | - | - | 6,455 | - | - |
| Due to other funds | - | - | - | - | - | - |
| Deferred revenue | 39,825 | 597 | - | - | - | - |
| Payable from restricted | - | - | - | - | - | - |
| Total Liabilities | 409,340 | 737 | 10,365 | 17,439 | - | 6,314 |
| FUND BALANCES | | | | | | |
| Reserved for: | | | | | | |
| Inventories | - | - | - | - | - | - |
| Encumbrances | 425,251 | 7,909 | 10,601 | 607 | - | 57,787 |
| Unreserved, reported in: | | | | | | |
| General fund | - | - | - | - | - | - |
| Special revenue funds | 391,876 | 45,684 | 106,866 | 83,736 | 14,377 | 118,683 |
| Debt service funds | - | - | - | - | - | - |
| Capital projects funds | - | - | - | - | - | - |
| Total Fund Balances | 817,127 | 53,593 | 117,467 | 84,343 | 14,377 | 176,470 |
| Total Liabilities and Fund Balances | \$ 1,226,467 | \$ 54,330 | \$ 127,832 | \$ 101,782 | \$ 14,377 | \$ 182,784 |

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF GALLUP
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (CONTINUED)
JUNE 30, 2008

| | Law Enforcement Block Grant | Subtotal Special Revenue Funds | DEBT SERVICE FUNDS | | | Subtotal Debt Service Funds |
|--|-----------------------------------|--------------------------------------|-------------------------------------|-------------------------------|--------------------------|-----------------------------------|
| | | | 02/04 Sales Tax Revenue Bonds | NM Finance Authority Loans | 11/00 Sales Tax Bonds | |
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 1,138 | \$ 1,540,427 | \$ 26,644 | \$ 533,308 | \$ 7,597 | \$ 567,549 |
| Investments | - | 1,370,000 | 55,000 | 800,000 | 75,000 | 930,000 |
| Accounts receivable, net | - | 528,784 | - | 54,365 | - | 54,365 |
| Due from other funds | - | - | - | - | - | - |
| Inventories | - | - | - | - | - | - |
| Total Assets | \$ 1,138 | \$ 3,439,211 | \$ 81,644 | \$ 1,387,673 | \$ 82,597 | \$ 1,551,914 |
| LIABILITIES AND FUND BALANCES | | | | | | |
| LIABILITIES | | | | | | |
| Accounts payable | \$ - | 387,058 | \$ - | \$ - | \$ - | \$ - |
| Accrued wages and taxes | - | 40,558 | - | - | - | - |
| Due to other funds | - | - | - | - | - | - |
| Deferred revenue | - | 40,422 | - | 32,988 | - | 32,988 |
| Payable from restricted | - | - | - | - | - | - |
| Total Liabilities | - | 468,038 | - | 32,988 | - | 32,988 |
| FUND BALANCES | | | | | | |
| Reserved for: | | | | | | |
| Inventories | - | - | - | - | - | - |
| Encumbrances | - | 571,142 | - | - | - | - |
| Unreserved, reported in: | | | | | | |
| General fund | - | - | - | - | - | - |
| Special revenue funds | 1,138 | 2,400,031 | - | - | - | - |
| Debt service funds | - | - | 81,644 | 1,354,685 | 82,597 | 1,518,926 |
| Capital projects funds | - | - | - | - | - | - |
| Total Fund Balances | 1,138 | 2,971,173 | 81,644 | 1,354,685 | 82,597 | 1,518,926 |
| Total Liabilities and Fund Balances | \$ 1,138 | \$ 3,439,211 | \$ 81,644 | \$ 1,387,673 | \$ 82,597 | \$ 1,551,914 |

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF GALLUP
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (CONTINUED)
JUNE 30, 2008

CAPITAL PROJECT FUNDS

| | <u>Airport</u> | <u>Infrastructure GRT</u> | <u>11/00 Sales Tax Bonds</u> | <u>Legislative Appropriations</u> | <u>General Obligation Bond Projects</u> | <u>02/04 Sales NonTax Bonds</u> |
|--|-------------------|-------------------------------|----------------------------------|---------------------------------------|---|-------------------------------------|
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 183,065 | \$ 637,569 | \$ 101,895 | \$ 94,173 | \$ 128,247 | \$ 25,237 |
| Investments | - | 880,000 | 145,000 | - | - | - |
| Accounts receivable, net | - | - | - | 97,849 | - | - |
| Due from other funds | - | - | - | - | - | - |
| Inventories | - | - | - | - | - | - |
| Total Assets | <u>\$ 183,065</u> | <u>\$ 1,517,569</u> | <u>\$ 246,895</u> | <u>\$ 192,022</u> | <u>\$ 128,247</u> | <u>\$ 25,237</u> |
| LIABILITIES AND FUND BALANCES | | | | | | |
| LIABILITIES | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ 78,652 | \$ 2,692 | \$ - |
| Accrued wages and taxes | - | - | - | - | - | - |
| Due to other funds | - | - | - | 100,000 | - | - |
| Deferred revenue | - | - | - | - | - | - |
| Payable from restricted | - | - | - | - | - | - |
| Total Liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>178,652</u> | <u>2,692</u> | <u>-</u> |
| FUND BALANCES | | | | | | |
| Reserved for: | | | | | | |
| Inventories | - | - | - | - | - | - |
| Encumbrances | - | 505,546 | 12,951 | 88,917 | 24,937 | 13,326 |
| Unreserved, reported in: | | | | | | |
| General fund | - | - | - | - | - | - |
| Special revenue funds | - | - | - | - | - | - |
| Debt service funds | - | - | - | - | - | - |
| Capital projects funds | 183,065 | 1,012,023 | 233,944 | (75,547) | 100,618 | 11,911 |
| Total Fund Balances | <u>183,065</u> | <u>1,517,569</u> | <u>246,895</u> | <u>13,370</u> | <u>125,555</u> | <u>25,237</u> |
| Total Liabilities and Fund Balances | <u>\$ 183,065</u> | <u>\$ 1,517,569</u> | <u>\$ 246,895</u> | <u>\$ 192,022</u> | <u>\$ 128,247</u> | <u>\$ 25,237</u> |

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF GALLUP
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (CONTINUED)
JUNE 30, 2008

| | <u>CAPITAL PROJECT FUNDS</u> | | <u>Subtotal Capital Project Funds</u> | <u>Total Nonmajor Governmental Funds</u> |
|--|----------------------------------|---------------------|---|--|
| | <u>02/04 Sales Tax Bonds</u> | <u>Public Works</u> | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 54,943 | \$ 706,478 | \$ 1,931,607 | \$ 4,039,583 |
| Investments | - | 1,000,000 | 2,025,000 | 4,325,000 |
| Accounts receivable, net | - | 60,000 | 157,849 | 740,998 |
| Due from other funds | - | - | - | - |
| Inventories | - | - | - | - |
| Total Assets | \$ 54,943 | \$ 1,766,478 | \$ 4,114,456 | \$ 9,105,581 |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts payable | \$ - | \$ 95,118 | \$ 176,462 | 563,520 |
| Accrued wages and taxes | - | - | - | 40,558 |
| Due to other funds | - | - | 100,000 | 100,000 |
| Deferred revenue | - | - | - | 73,410 |
| Payable from restricted | - | - | - | - |
| Total Liabilities | - | 95,118 | 276,462 | 777,488 |
| FUND BALANCES | | | | |
| Reserved for: | | | | |
| Inventories | - | - | - | - |
| Encumbrances | 3,015 | 570,384 | 1,219,076 | 1,790,218 |
| Unreserved, reported in: | | | | |
| General fund | - | - | - | - |
| Special revenue funds | - | - | - | 2,400,031 |
| Debt service funds | - | - | - | 1,518,926 |
| Capital projects funds | 51,928 | 1,100,976 | 2,618,918 | 2,618,918 |
| Total Fund Balances | 54,943 | 1,671,360 | 3,837,994 | 8,328,093 |
| Total Liabilities and Fund Balances | \$ 54,943 | \$ 1,766,478 | \$ 4,114,456 | \$ 9,105,581 |

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF GALLUP
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2009

| | <u>SPECIAL REVENUE FUNDS</u> | | | | | |
|--|------------------------------|---|-------------------|---|----------------------------|-------------------------|
| | <u>Correction Fees</u> | <u>Emergency Medical Services</u> | <u>Fire</u> | <u>Law Enforcement Protection</u> | <u>Special Library</u> | <u>Lodgers' Tax</u> |
| REVENUES | | | | | | |
| Intergovernmental income | \$ - | \$ - | \$ 360,552 | \$ 61,800 | \$ 24,328 | \$ - |
| Taxes | - | - | - | - | - | 1,125,293 |
| Operating grant - taxes | - | - | - | - | - | - |
| Charges for services | 152,658 | - | - | - | 8,954 | - |
| Miscellaneous income | - | - | - | - | - | - |
| Interest income | 9,804 | 2 | 9,482 | 60 | 49 | 9,613 |
| Total Revenues | <u>162,462</u> | <u>2</u> | <u>370,034</u> | <u>61,860</u> | <u>33,331</u> | <u>1,134,906</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General government | - | - | - | - | - | - |
| Culture and recreation | - | - | - | - | 31,178 | 466,559 |
| Public safety | 45,418 | 27,299 | 102,235 | 62,698 | - | - |
| Health and welfare | - | - | - | - | - | - |
| Public works | - | - | - | - | - | - |
| Debt service: | | | | | | |
| Principal retirement | - | - | - | - | - | - |
| Bond issue costs | - | - | - | - | - | - |
| Interest and other charges | - | - | - | - | - | - |
| Capital outlay | - | - | 420,841 | 32,284 | 6,725 | 1,343 |
| Total Expenditures | <u>45,418</u> | <u>27,299</u> | <u>523,076</u> | <u>94,982</u> | <u>37,903</u> | <u>467,902</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>117,044</u> | <u>(27,297)</u> | <u>(153,042)</u> | <u>(33,122)</u> | <u>(4,572)</u> | <u>667,004</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Bond and loan proceeds | - | - | - | - | - | - |
| Operating transfers in | - | 25,893 | 2,703 | - | - | - |
| Operating transfers out | - | - | (105,186) | - | - | (180,000) |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>25,893</u> | <u>(102,483)</u> | <u>-</u> | <u>-</u> | <u>(180,000)</u> |
| Net Change in Fund Balances | 117,044 | (1,404) | (255,525) | (33,122) | (4,572) | 487,004 |
| Fund Balance, Beginning of Year | <u>346,157</u> | <u>1,404</u> | <u>398,108</u> | <u>35,914</u> | <u>80,963</u> | <u>534,687</u> |
| Fund Balance, End of Year | <u>\$ 463,201</u> | <u>\$ -</u> | <u>\$ 142,583</u> | <u>\$ 2,792</u> | <u>\$ 76,391</u> | <u>\$ 1,021,691</u> |

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF GALLUP
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2009

| | <u>SPECIAL REVENUE FUNDS</u> | | | | | |
|--|------------------------------|--------------------------------|---------------------------------------|----------------------------|---------------------------------|----------------------------------|
| | <u>Municipal Gas Tax</u> | <u>Juvenile Recreation</u> | <u>Intergovern- mental Grants</u> | <u>Senior Citizens</u> | <u>Na' Nizhoozhi Center</u> | <u>Community Development</u> |
| REVENUES | | | | | | |
| Intergovernmental income | \$ - | \$ - | \$ 112,642 | \$ 322,103 | \$ - | \$ 45,000 |
| Taxes | - | - | - | - | - | - |
| Operating grant - taxes | 828,295 | 11,618 | - | - | - | - |
| Charges for services | 1 | - | - | - | - | - |
| Miscellaneous income | - | - | - | 48,169 | - | - |
| Interest income | (4,820) | 73 | - | 40 | 18 | (2,048) |
| Total Revenues | <u>823,476</u> | <u>11,691</u> | <u>112,642</u> | <u>370,312</u> | <u>18</u> | <u>42,952</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General government | - | - | (26,603) | - | - | - |
| Culture and recreation | - | 26,746 | 15,120 | - | - | - |
| Public safety | - | - | 73,302 | - | - | - |
| Health and welfare | - | - | - | 317,664 | - | - |
| Public works | 2,012,601 | - | 6,000 | - | - | 16,010 |
| Debt service: | | | | | | |
| Principal retirement | - | - | - | - | - | - |
| Bond issue costs | - | - | - | - | - | - |
| Interest and other charges | - | - | - | - | - | - |
| Capital outlay | 603,093 | - | 103,945 | - | - | 16,746 |
| Total Expenditures | <u>2,615,694</u> | <u>26,746</u> | <u>171,764</u> | <u>317,664</u> | <u>-</u> | <u>32,756</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(1,792,218)</u> | <u>(15,055)</u> | <u>(59,122)</u> | <u>52,648</u> | <u>18</u> | <u>10,196</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Bond and loan proceeds | - | - | - | - | - | - |
| Operating transfers in | 1,763,850 | - | - | 10,000 | - | - |
| Operating transfers out | - | - | - | - | - | - |
| Total Other Financing Sources (Uses) | <u>1,763,850</u> | <u>-</u> | <u>-</u> | <u>10,000</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balances | (28,368) | (15,055) | (59,122) | 62,648 | 18 | 10,196 |
| Fund Balance, Beginning of Year | <u>845,495</u> | <u>68,648</u> | <u>176,589</u> | <u>21,695</u> | <u>14,359</u> | <u>166,274</u> |
| Fund Balance, End of Year | <u>\$ 817,127</u> | <u>\$ 53,593</u> | <u>\$ 117,467</u> | <u>\$ 84,343</u> | <u>\$ 14,377</u> | <u>\$ 176,470</u> |

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF GALLUP
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2009

| | Law Enforcement Block Grant | Subtotal Special Revenue Funds | DEBT SERVICE FUNDS | | | Subtotal Debt Service Funds |
|--|-----------------------------------|--------------------------------------|-------------------------------------|-------------------------------|--------------------------|-----------------------------------|
| | | | 02/04 Sales Tax Revenue Bonds | NM Finance Authority Loans | 11/00 Sales Tax Bonds | |
| REVENUES | | | | | | |
| Intergovernmental income | \$ - | \$ 926,425 | \$ - | \$ - | \$ - | \$ - |
| Taxes | - | 1,125,293 | - | 744,619 | - | 744,619 |
| Operating grant - taxes | - | 839,913 | - | - | - | - |
| Charges for services | - | 161,613 | - | - | - | - |
| Miscellaneous income | - | 48,169 | - | - | - | - |
| Interest income | 1 | 22,274 | 4,726 | 4,850 | (2,195) | 7,381 |
| Total Revenues | 1 | 3,123,687 | 4,726 | 749,469 | (2,195) | 752,000 |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General government | - | (26,603) | - | - | - | - |
| Culture and recreation | - | 539,603 | - | - | - | - |
| Public safety | - | 310,952 | - | - | - | - |
| Health and welfare | - | 317,664 | - | - | - | - |
| Public works | - | 2,034,611 | - | - | - | - |
| Debt service: | | | | | | |
| Principal retirement | - | - | 765,000 | 721,083 | 480,000 | 1,966,083 |
| Bond issue costs | - | - | - | - | - | - |
| Interest and other charges | - | - | 627,588 | 312,047 | 233,844 | 1,173,479 |
| Capital outlay | - | 1,184,977 | - | - | - | - |
| Total Expenditures | - | 4,361,204 | 1,392,588 | 1,033,130 | 713,844 | 3,139,562 |
| Excess (Deficiency) of Revenues Over Expenditures | 1 | (1,237,517) | (1,387,862) | (283,661) | (716,039) | (2,387,562) |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Bond and loan proceeds | - | - | - | - | - | - |
| Operating transfers in | - | 1,802,446 | 1,397,600 | 389,898 | 713,856 | 2,501,354 |
| Operating transfers out | - | (285,186) | - | (268,864) | - | (268,864) |
| Total Other Financing Sources (Uses) | - | 1,517,260 | 1,397,600 | 121,034 | 713,856 | 2,232,490 |
| Net Change in Fund Balances | 1 | 279,743 | 9,738 | (162,627) | (2,183) | (155,072) |
| Fund Balance, Beginning of Year | 1,137 | 2,691,430 | 71,906 | 1,517,312 | 84,780 | 1,673,998 |
| Fund Balance, End of Year | \$ 1,138 | \$ 2,971,173 | \$ 81,644 | \$ 1,354,685 | \$ 82,597 | \$ 1,518,926 |

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF GALLUP
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2009

| | CAPITAL PROJECT FUNDS | | | | | |
|--|-----------------------|-----------------------|--------------------------|-------------------------------|--|------------------------------|
| | Airport | Infrastructure GRT | 11/00 Sales Tax Bonds | Legislative Appropriations | General Obligation Bond Projects | 02/04 Sales Non Tax Bonds |
| REVENUES | | | | | | |
| Intergovernmental income | \$ 14,949 | \$ - | \$ - | \$ 415,568 | \$ - | \$ - |
| Taxes | - | - | - | - | - | - |
| Operating grant - taxes | - | - | - | - | - | - |
| Charges for services | - | - | - | - | - | - |
| Miscellaneous income | - | - | - | - | - | - |
| Interest income | 11,483 | (3,842) | 1,824 | 26 | 5,419 | 93 |
| Total Revenues | <u>26,432</u> | <u>(3,842)</u> | <u>1,824</u> | <u>415,594</u> | <u>5,419</u> | <u>93</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General government | - | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - | - |
| Public safety | - | - | - | - | - | - |
| Health and welfare | - | - | - | - | - | - |
| Public works | - | - | 26,624 | 125,310 | 55,087 | 19,891 |
| Debt service: | | | | | | |
| Principal retirement | - | - | - | - | - | - |
| Bond issue costs | - | - | - | - | - | - |
| Interest and other charges | - | - | - | - | - | - |
| Capital outlay | 5,250 | 21,381 | (615) | 182,073 | 116,874 | 42,633 |
| Total Expenditures | <u>5,250</u> | <u>21,381</u> | <u>26,009</u> | <u>307,383</u> | <u>171,961</u> | <u>62,524</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>21,182</u> | <u>(25,223)</u> | <u>(24,185)</u> | <u>108,211</u> | <u>(166,542)</u> | <u>(62,431)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Bond and loan proceeds | - | - | - | - | - | - |
| Operating transfers in | - | 2,420,004 | - | - | - | - |
| Operating transfers out | - | (1,763,850) | - | - | - | - |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>656,154</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balances | 21,182 | 630,931 | (24,185) | 108,211 | (166,542) | (62,431) |
| Fund Balance, Beginning of Year | <u>161,883</u> | <u>886,638</u> | <u>271,080</u> | <u>(94,841)</u> | <u>292,097</u> | <u>87,668</u> |
| Fund Balance, End of Year | <u>\$ 183,065</u> | <u>\$ 1,517,569</u> | <u>\$ 246,895</u> | <u>\$ 13,370</u> | <u>\$ 125,555</u> | <u>\$ 25,237</u> |

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF GALLUP
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2009

| | <u>CAPITAL PROJECT FUNDS</u> | | <u>Subtotal Capital Project Funds</u> | <u>Total Nonmajor Governmental Funds</u> |
|--|----------------------------------|---------------------|---|--|
| | <u>02/04 Sales Tax Bonds</u> | <u>Public Works</u> | | |
| REVENUES | | | | |
| Intergovernmental income | \$ - | \$ 490,000 | \$ 920,517 | \$ 1,846,942 |
| Taxes | - | - | - | 1,869,912 |
| Operating grant - taxes | - | - | - | 839,913 |
| Charges for services | - | - | - | 161,613 |
| Miscellaneous income | - | - | - | 48,169 |
| Interest income | 84 | 4,923 | 20,010 | 49,665 |
| Total Revenues | <u>84</u> | <u>494,923</u> | <u>940,527</u> | <u>4,816,214</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | - | - | - | (26,603) |
| Culture and recreation | - | - | - | 539,603 |
| Public safety | - | - | - | 310,952 |
| Health and welfare | - | - | - | 317,664 |
| Public works | - | 20,629 | 247,541 | 2,282,152 |
| Debt service: | | | | |
| Principal retirement | - | - | - | 1,966,083 |
| Bond issue costs | - | - | - | - |
| Interest and other charges | - | - | - | 1,173,479 |
| Capital outlay | 10,133 | 704,839 | 1,082,568 | 2,267,545 |
| Total Expenditures | <u>10,133</u> | <u>725,468</u> | <u>1,330,109</u> | <u>8,830,875</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(10,049)</u> | <u>(230,545)</u> | <u>(389,582)</u> | <u>(4,014,661)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Bond and loan proceeds | - | - | - | - |
| Operating transfers in | - | 905,154 | 3,325,158 | 7,628,958 |
| Operating transfers out | - | - | (1,763,850) | (2,317,900) |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>905,154</u> | <u>1,561,308</u> | <u>5,311,058</u> |
| Net Change in Fund Balances | (10,049) | 674,609 | 1,171,726 | 1,296,397 |
| Fund Balance, Beginning of Year | <u>64,992</u> | <u>996,751</u> | <u>2,666,268</u> | <u>7,031,696</u> |
| Fund Balance, End of Year | <u>\$ 54,943</u> | <u>\$ 1,671,360</u> | <u>\$ 3,837,994</u> | <u>\$ 8,328,093</u> |

The accompanying notes are an integral part of these financial statements.

ENTERPRISE FUNDS

Enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the City is that costs of providing the goods or services to the general public on a continuing basis will be financed or recovered through user charges. Unlike other Governmental Funds, depreciation is included in operating expenses.

NON-MAJOR ENTERPRISE FUNDS

The Fitness Center Fund accounts for the operations of The Fitness Center Health Club. Activities of the fund include administration, operation, and maintenance of the facility. All costs are financed through membership dues.

The NMJHSR Fund accounts for the operations of Junior High School Rodeo. Activities of the fund include administration and operation of the rodeo. All costs are financed through ticket sales and sponsorships.

The Gamerco Billings Fund accounts for the operation of wastewater, water, and solid waste collection services to the residents of the township of Gamerco. Activities of the fund include administration, operation, and maintenance of the distribution system. The fund also accounts for the accumulation of resources for, and the payment of accounts receivable due to the City of Gallup for the Gamerco Water and Sanitation District.

**STATE OF NEW MEXICO
CITY OF GALLUP
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENTS OF NET ASSETS
JUNE 30, 2009**

| | <u>The Fitness Center</u> | <u>Wrangler Junior High School Rodeo</u> | <u>Gamerco Billings</u> | <u>Total Nonmajor Proprietary Funds</u> |
|---|-------------------------------|--|-----------------------------|---|
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | \$ 209,090 | \$ 471,951 | \$ 740,520 | \$ 1,421,561 |
| Investments | - | - | - | - |
| Accounts receivable, net | 19,490 | 2,610 | 8,129 | 30,229 |
| Due from other funds | - | - | - | - |
| Inventories | - | - | - | - |
| Total Current Assets | <u>228,580</u> | <u>474,561</u> | <u>748,649</u> | <u>1,451,790</u> |
| NONCURRENT ASSETS | | | | |
| Restricted cash and cash equivalents | - | - | 5,759 | 5,759 |
| Capital assets: | | | | |
| Land | 21,879 | - | - | 21,879 |
| Distribution and collections systems | - | - | - | - |
| Buildings and improvements | 291,429 | - | - | 291,429 |
| Equipment | 6,921 | - | - | 6,921 |
| Less accumulated depreciation | (53,711) | - | - | (53,711) |
| Deferred charges | - | - | - | - |
| Total Noncurrent Assets | <u>266,518</u> | <u>-</u> | <u>5,759</u> | <u>272,277</u> |
| Total Assets | <u>495,098</u> | <u>474,561</u> | <u>754,408</u> | <u>1,724,067</u> |
| LIABILITIES | | | | |
| CURRENT LIABILITIES | | | | |
| Accounts payable | 1,925 | 17,984 | - | 19,909 |
| Accrued wages and taxes | 5,234 | - | - | 5,234 |
| Due to other funds | - | - | - | - |
| Deferred revenue | - | - | - | - |
| Compensated absences | 6,660 | - | - | 6,660 |
| Claims and judgements | - | - | - | - |
| Loans - current | - | - | - | - |
| Revenue bonds - current | - | - | - | - |
| Payable from restricted assets | - | - | 5,759 | 5,759 |
| Accrued interest | - | - | - | - |
| Total Current Liabilities | <u>13,819</u> | <u>17,984</u> | <u>5,759</u> | <u>37,562</u> |
| NONCURRENT LIABILITIES | | | | |
| Landfill closure | - | - | - | - |
| Loans payable | - | - | - | - |
| Revenue bonds payable (net of unamortized premiums and discounts) | - | - | - | - |
| Total Noncurrent Liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Liabilities | <u>13,819</u> | <u>17,984</u> | <u>5,759</u> | <u>37,562</u> |
| NET ASSETS | | | | |
| Investment in capital assets, net of related debt | 266,518 | - | - | 266,518 |
| Unrestricted | <u>214,761</u> | <u>456,577</u> | <u>748,649</u> | <u>1,419,987</u> |
| Total Net Assets | <u>\$ 481,279</u> | <u>\$ 456,577</u> | <u>\$ 748,649</u> | <u>\$ 1,686,505</u> |

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF GALLUP
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009**

| | <u>The Fitness Center</u> | <u>Wrangler Junior High School Rodeo</u> | <u>Gamerco Billings</u> | <u>Total Nonmajor Proprietary Funds</u> |
|---|-------------------------------|--|-----------------------------|---|
| OPERATING REVENUES | | | | |
| Intergovernmental income | \$ - | \$ 100,000 | \$ - | \$ 100,000 |
| Taxes | - | - | - | - |
| Operating grants - taxes | - | - | - | - |
| Charges for services | 188,972 | 232,981 | 392,468 | 814,421 |
| Miscellaneous income | 11,697 | 217,931 | 6,755 | 236,383 |
| Assessments | - | - | - | - |
| Total Operating Revenues | <u>200,669</u> | <u>550,912</u> | <u>399,223</u> | <u>1,150,804</u> |
| OPERATING EXPENSES | | | | |
| Personnel services | 118,250 | - | - | 118,250 |
| Depreciation expense | 8,439 | - | - | 8,439 |
| Operating expenses | <u>118,787</u> | <u>533,029</u> | <u>134,802</u> | <u>786,618</u> |
| Total Operating Expenses | <u>245,476</u> | <u>533,029</u> | <u>134,802</u> | <u>913,307</u> |
| Operating Income (Loss) | <u>(44,807)</u> | <u>17,883</u> | <u>264,421</u> | <u>237,497</u> |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Loss on sale of fixed assets | - | - | - | - |
| Interest income | 3,746 | 89 | 10,002 | 13,837 |
| Bond issue costs | - | - | - | - |
| Interest expense | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Nonoperating Revenues (Expenses) | <u>3,746</u> | <u>89</u> | <u>10,002</u> | <u>13,837</u> |
| Income (Loss) Before Operating Trans: | <u>(41,061)</u> | <u>17,972</u> | <u>274,423</u> | <u>251,334</u> |
| NET OPERATING TRANSFERS IN (OUT) | | | | |
| Operating transfers from other funds | 66,972 | - | - | 66,972 |
| Operating transfers to other funds | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Operating Transfers In (Out) | <u>66,972</u> | <u>-</u> | <u>-</u> | <u>66,972</u> |
| Change in Net Assets | 25,911 | 17,972 | 274,423 | 318,306 |
| Total Net Assets, Beginning of Year | <u>455,368</u> | <u>438,605</u> | <u>474,226</u> | <u>1,368,199</u> |
| Total Net Assets, End of Year | <u>\$ 481,279</u> | <u>\$ 456,577</u> | <u>\$ 748,649</u> | <u>\$ 1,686,505</u> |

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF GALLUP
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009**

| | <u>The Fitness Center</u> | <u>Wrangler Junior High School Rodeo</u> | <u>Gamerco Billings</u> | <u>Total Funds</u> |
|--|-------------------------------|--|-----------------------------|------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Cash received from customers | \$ 181,179 | \$ 548,302 | \$ 419,864 | \$ 1,149,345 |
| Cash paid to suppliers for goods and services | (123,920) | (550,175) | (134,802) | (808,897) |
| Cash paid to employees for services | (118,391) | - | - | (118,391) |
| Cash received from other funds for services | - | - | - | - |
| Net Cash Provided by (Used for) | | | | |
| Operating Activities | <u>(61,132)</u> | <u>(1,873)</u> | <u>285,062</u> | <u>222,057</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Operating subsidies (to) from other funds | <u>66,972</u> | - | - | <u>66,972</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Interest earned | <u>3,746</u> | <u>89</u> | <u>10,002</u> | <u>13,837</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Proceeds from the sale of capital assets | - | - | - | - |
| Acquisition of capital assets | - | - | - | - |
| Principal paid on capital debt | - | - | - | - |
| Interest paid on capital debt | - | - | - | - |
| Net Cash Provided by (Used for) Capital and Related Financing Activities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 9,586 | (1,784) | 295,064 | 302,866 |
| Cash and Cash Equivalents, Beginning of Year | <u>199,504</u> | <u>473,735</u> | <u>451,215</u> | <u>1,124,454</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 209,090</u> | <u>\$ 471,951</u> | <u>\$ 746,279</u> | <u>\$ 1,427,320</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | | | | |
| Operating income (loss) | \$ (44,807) | \$ 17,883 | \$ 264,421 | \$ 237,497 |
| Adjustments to reconcile net operating income to net cash provided by operating activities: | | | | |
| Depreciation | 8,439 | - | - | 8,439 |
| (Increase) decrease in accounts receivable | (19,490) | (2,610) | 16,878 | (5,222) |
| Increase (decrease) in provision for doubtful accounts | - | - | 2,306 | 2,306 |
| (Increase) decrease in inventories | - | - | - | - |
| Increase (decrease) in accounts payable | (5,133) | (17,146) | - | (22,279) |
| Increase (decrease) in accrued wages and taxes | (315) | - | - | (315) |
| Increase (decrease) in due to other funds | - | - | - | - |
| Increase (decrease) in compensated absence | 174 | - | - | 174 |
| Increase (decrease) in claims and adjustmer | - | - | - | - |
| Increase (decrease) in deferred revenue | - | - | - | - |
| Increase in payable from restricted assets | - | - | 1,457 | 1,457 |
| Decrease in landfill postclosure | - | - | - | - |
| Net Cash Provided by (Used for) | | | | |
| Operating Activities | <u>\$ (61,132)</u> | <u>\$ (1,873)</u> | <u>\$ 285,062</u> | <u>\$ 222,057</u> |

The accompanying notes are an integral part of these financial statements.

FIDUCIARY (AGENCY) FUNDS

Fiduciary funds account for assets held by the City in a trustee or agency capacity for individuals, private organizations, other governmental units, and/or other funds. Agency Funds are purely custodial and do not involve measurement of results of operations.

The Appearance Bonds Fund accounts for the receipt and disbursement of appearance bonds for those appearing in municipal court.

The Special Gifts Fund accounts for the receipt of various donations for a specific project from individuals and private businesses. It also accounts for refundable deposits to library users. The funds are held until legally budgeted (revenues and expenditures) in the Library Special Revenue Fund.

**STATE OF NEW MEXICO
CITY OF GALLUP
AGENCY FUNDS
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2009**

| | <u>Appearance Bonds</u> | <u>Special Gifts</u> | <u>Total Agency Funds</u> |
|----------------------------------|--|--------------------------|-----------------------------------|
| CASH AND CASH EQUIVALENTS | | | |
| Balance as of June 30, 2008 | \$ 14,907 | \$ 292,796 | \$ 307,703 |
| ADDITIONS | | | |
| Contributions | 82,171 | 333,297 | 415,468 |
| Interest income | - | - | - |
| Total Additions | <u>82,171</u> | <u>333,297</u> | <u>415,468</u> |
| DEDUCTIONS | | | |
| Refunds of contributions | \$ 84,453 | \$ 271,058 | \$ 355,511 |
| Total Deductions | <u>84,453</u> | <u>271,058</u> | <u>355,511</u> |
| Balance as of June 30, 2009 | <u>\$ 12,625</u> | <u>\$ 355,035</u> | <u>\$ 367,660</u> |
| ACCOUNTS PAYABLE | | | |
| Balance as of June 30, 2008 | \$ - | \$ 1,163 | \$ 1,163 |
| ADDITIONS | | | |
| Contributions | - | 90,472 | 90,472 |
| Interest income | - | - | - |
| Total Additions | <u>-</u> | <u>90,472</u> | <u>90,472</u> |
| DEDUCTIONS | | | |
| Refunds of contributions | \$ - | \$ 88,623 | \$ 88,623 |
| Total Deductions | <u>-</u> | <u>88,623</u> | <u>88,623</u> |
| Balance as of June 30, 2009 | <u>\$ -</u> | <u>\$ 3,012</u> | <u>\$ 3,012</u> |
| SPECIAL PROJECTS PAYABLE | | | |
| Balance as of June 30, 2008 | \$ 14,907 | \$ 291,633 | \$ 306,540 |
| ADDITIONS | | | |
| Contributions | 82,171 | 242,825 | 324,996 |
| Interest income | - | - | - |
| Total Additions | <u>82,171</u> | <u>242,825</u> | <u>324,996</u> |
| DEDUCTIONS | | | |
| Refunds of contributions | \$ 84,453 | \$ 182,435 | \$ 266,888 |
| Total Deductions | <u>84,453</u> | <u>182,435</u> | <u>266,888</u> |
| Balance as of June 30, 2009 | <u>\$ 12,625</u> TB-07 | <u>\$ 352,023</u> | <u>\$ 364,648</u> |

The accompanying notes are an integral part of these financial statements.

**SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL**

STATE OF NEW MEXICO
CITY OF GALLUP
CORRECTION FEE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009

| | <u>BUDGETED AMOUNTS</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|---------------|-------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Intergovernmental income | \$ - | \$ - | \$ - | \$ - |
| Taxes | - | - | - | - |
| Operating grant - taxes | - | - | - | - |
| Charges for services | - | 50,300 | 152,658 | 102,358 |
| Miscellaneous income | - | - | - | - |
| Interest income | - | - | 9,804 | 9,804 |
| Total Revenues | <u>-</u> | <u>50,300</u> | <u>162,462</u> | <u>112,162</u> |
| EXPENDITURES | | | | |
| General government | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Public safety | - | 50,300 | 45,418 | 4,882 |
| Health and welfare | - | - | - | - |
| Public works | - | - | - | - |
| Principal retirement | - | - | - | - |
| Interest and other charges | - | - | - | - |
| Capital outlay | - | - | - | - |
| Total Expenditures | <u>-</u> | <u>50,300</u> | <u>45,418</u> | <u>4,882</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>-</u> | <u>-</u> | <u>117,044</u> | <u>117,044</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Designated cash | - | - | - | - |
| Bond and loan proceeds | - | - | - | - |
| Transfers from other funds | - | - | - | - |
| Transfers to other funds | - | - | - | - |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ -</u> | <u>\$ -</u> | <u>117,044</u> | <u>\$ 117,044</u> |
| Fund Balance, Beginning of Year | | | <u>346,157</u> | |
| Fund Balance, End of Year | | | <u>\$ 463,201</u> | |
| NET CHANGE IN FUND BALANCE (BUDGET BASIS) | | | \$ 117,044 | |
| ADJUSTMENTS TO: | | | | |
| Revenues for tax accruals, interest, and other deferrals and accruals | | | - | |
| Expenditures for payables, prepaid expenditures and other accruals | | | <u>-</u> | |
| NET CHANGE IN FUND BALANCE (GAAP BASIS) | | | <u>\$ 117,044</u> | |

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF GALLUP
EMERGENCY MEDICAL SERVICES SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009

| | BUDGETED AMOUNTS | | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------|----------|------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental income | \$ 18,500 | \$ - | \$ - | \$ - |
| Taxes | - | - | - | - |
| Operating grant - taxes | - | - | - | - |
| Charges for services | - | - | - | - |
| Miscellaneous income | - | - | - | - |
| Interest income | - | 2 | 2 | - |
| Total Revenues | 18,500 | 2 | 2 | - |
| EXPENDITURES | | | | |
| General government | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Public safety | 37,000 | 27,299 | 27,299 | - |
| Health and welfare | - | - | - | - |
| Public works | - | - | - | - |
| Principal retirement | - | - | - | - |
| Interest and other charges | - | - | - | - |
| Capital outlay | - | - | - | - |
| Total Expenditures | 37,000 | 27,299 | 27,299 | - |
| Excess (Deficiency) of Revenues over Expenditures | (18,500) | (27,297) | (27,297) | - |
| OTHER FINANCING SOURCES (USES) | | | | |
| Designated cash | - | 1,404 | - | (1,404) |
| Bond and loan proceeds | - | - | - | - |
| Transfers from other funds | 18,500 | 25,893 | 25,893 | - |
| Transfers to other funds | - | - | - | - |
| Total Other Financing Sources (Uses) | 18,500 | 27,297 | 25,893 | (1,404) |
| NET CHANGE IN FUND BALANCE | \$ - | \$ - | (1,404) | \$ (1,404) |
| Fund Balance, Beginning of Year | | | 1,404 | |
| Fund Balance, End of Year | | | \$ - | |
| NET CHANGE IN FUND BALANCE (BUDGET BASIS) | | TB-02 | \$ (1,404) | |
| ADJUSTMENTS TO: | | | | |
| Revenues for tax accruals, interest, and other deferrals and accruals | | | - | |
| Expenditures for payables, prepaid expenditures and other accruals | | | - | |
| NET CHANGE IN FUND BALANCE (GAAP BASIS) | | TB-02 | \$ (1,404) | |

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF GALLUP
FIRE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009**

| | BUDGETED AMOUNTS | | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------|------------|--------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental income | \$ 272,080 | \$ 360,552 | \$ 360,552 | \$ - |
| Taxes | - | - | - | - |
| Operating grant - taxes | - | - | - | - |
| Charges for services | - | - | - | - |
| Miscellaneous income | - | - | - | - |
| Interest income | - | - | 9,482 | 9,482 |
| Total Revenues | 272,080 | 360,552 | 370,034 | 9,482 |
| EXPENDITURES | | | | |
| General government | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Public safety | 113,110 | 194,706 | 106,962 | 87,744 |
| Health and welfare | - | - | - | - |
| Public works | - | - | - | - |
| Principal retirement | - | - | - | - |
| Interest and other charges | - | - | - | - |
| Capital outlay | 50,000 | 470,841 | 420,841 | 50,000 |
| Total Expenditures | 163,110 | 665,547 | 527,803 | 137,744 |
| Excess (Deficiency) of Revenues over Expenditures | 108,970 | (304,995) | (157,769) | 147,226 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Designated cash | - | 407,478 | - | (407,478) |
| Bond and loan proceeds | - | - | - | - |
| Transfers from other funds | - | 2,703 | 2,703 | - |
| Transfers to other funds | (108,970) | (105,186) | (105,186) | - |
| Total Other Financing Sources (Uses) | (108,970) | 304,995 | (102,483) | (407,478) |
| NET CHANGE IN FUND BALANCE | \$ - | \$ - | (260,252) | \$ (260,252) |
| Fund Balance, Beginning of Year | | | 407,478 | |
| Fund Balance, End of Year | | | \$ 147,226 | |
| NET CHANGE IN FUND BALANCE (BUDGET BASIS) | | | \$ (260,252) | |
| ADJUSTMENTS TO: | | | | |
| Revenues for tax accruals, interest, and other deferrals and accruals | | | - | |
| Expenditures for payables, prepaid expenditures and other accruals | | | 4,727 | |
| NET CHANGE IN FUND BALANCE (GAAP BASIS) | | | \$ (255,525) | |

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF GALLUP
LAW ENFORCEMENT PROTECTION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009**

| | BUDGETED AMOUNTS | | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------|-----------|-------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental income | \$ 95,860 | \$ 61,800 | \$ 61,800 | \$ - |
| Taxes | - | - | - | - |
| Operating grant - taxes | - | - | - | - |
| Charges for services | - | - | - | - |
| Miscellaneous income | - | - | - | - |
| Interest income | - | - | 60 | 60 |
| Total Revenues | 95,860 | 61,800 | 61,860 | 60 |
| EXPENDITURES | | | | |
| General government | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Public safety | 62,860 | 62,860 | 62,539 | 321 |
| Health and welfare | - | - | - | - |
| Public works | - | - | - | - |
| Principal retirement | - | - | - | - |
| Interest and other charges | - | - | - | - |
| Capital outlay | 33,000 | 36,009 | 32,284 | 3,725 |
| Total Expenditures | 95,860 | 98,869 | 94,823 | 4,046 |
| Excess (Deficiency) of Revenues over Expenditures | - | (37,069) | (32,963) | 4,106 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Designated cash | - | 37,069 | - | (37,069) |
| Bond and loan proceeds | - | - | - | - |
| Transfers from other funds | - | - | - | - |
| Transfers to other funds | - | - | - | - |
| Total Other Financing Sources (Uses) | - | 37,069 | - | (37,069) |
| NET CHANGE IN FUND BALANCE | \$ - | \$ - | (32,963) | \$ (32,963) |
| Fund Balance, Beginning of Year | | | 37,069 | |
| Fund Balance, End of Year | | | \$ 4,106 | |
| NET CHANGE IN FUND BALANCE (BUDGET BASIS) | | | \$ (32,963) | |
| ADJUSTMENTS TO: | | | | |
| Revenues for tax accruals, interest, and other deferrals and accruals | | | - | |
| Expenditures for payables, prepaid expenditures and other accruals | | | (159) | |
| NET CHANGE IN FUND BALANCE (GAAP BASIS) | | | \$ (33,122) | |

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF GALLUP
SPECIAL LIBRARY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009

| | BUDGETED AMOUNTS | | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------|------------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental income | \$ - | \$ 84,059 | \$ 84,059 | \$ - |
| Taxes | - | - | - | - |
| Operating grant - taxes | - | - | - | - |
| Charges for services | - | 8,950 | 8,954 | 4 |
| Miscellaneous income | - | - | - | - |
| Interest income | - | - | 49 | 49 |
| Total Revenues | <u>-</u> | <u>93,009</u> | <u>93,062</u> | <u>53</u> |
| EXPENDITURES | | | | |
| General government | - | - | - | - |
| Culture and recreation | - | 31,271 | 31,178 | 93 |
| Public safety | - | - | - | - |
| Health and welfare | - | - | - | - |
| Public works | - | - | - | - |
| Principal retirement | - | - | - | - |
| Interest and other charges | - | - | - | - |
| Capital outlay | <u>-</u> | <u>13,619</u> | <u>6,725</u> | <u>6,894</u> |
| Total Expenditures | <u>-</u> | <u>44,890</u> | <u>37,903</u> | <u>6,987</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>-</u> | <u>48,119</u> | <u>55,159</u> | <u>7,040</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Designated cash | - | - | - | - |
| Bond and loan proceeds | - | - | - | - |
| Transfers from other funds | - | - | - | - |
| Transfers to other funds | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ -</u> | <u>\$ 48,119</u> | 55,159 | <u>\$ 7,040</u> |
| Fund Balance, Beginning of Year | | | <u>21,388</u> | |
| Fund Balance, End of Year | | | <u>\$ 76,547</u> | |
| NET CHANGE IN FUND BALANCE (BUDGET BASIS) | | | \$ 55,159 | |
| ADJUSTMENTS TO: | | | | |
| Revenues for tax accruals, interest, and other deferrals and accruals | | | (59,731) | |
| Expenditures for payables, prepaid expenditures and other accruals | | | <u>-</u> | |
| NET CHANGE IN FUND BALANCE (GAAP BASIS) | | | <u>\$ (4,572)</u> | |

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF GALLUP
LODGERS' TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009**

| | BUDGETED AMOUNTS | | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------|-----------|------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental income | \$ - | \$ - | \$ - | \$ - |
| Taxes | 1,000,000 | 1,027,000 | 1,106,267 | 79,267 |
| Operating grant - taxes | - | - | - | - |
| Charges for services | - | - | - | - |
| Miscellaneous income | - | - | - | - |
| Interest income | 8,000 | 8,000 | 9,613 | 1,613 |
| Total Revenues | 1,008,000 | 1,035,000 | 1,115,880 | 80,880 |
| EXPENDITURES | | | | |
| General government | - | - | - | - |
| Culture and recreation | 820,000 | 1,046,100 | 466,829 | 579,271 |
| Public safety | - | - | - | - |
| Health and welfare | - | - | - | - |
| Public works | - | - | - | - |
| Principal retirement | - | - | - | - |
| Interest and other charges | - | - | - | - |
| Capital outlay | - | 10,000 | 1,343 | 8,657 |
| Total Expenditures | 820,000 | 1,056,100 | 468,172 | 587,928 |
| Excess (Deficiency) of Revenues over Expenditures | 188,000 | (21,100) | 647,708 | 668,808 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Designated cash | 2,000 | 201,100 | - | (201,100) |
| Bond and loan proceeds | - | - | - | - |
| Transfers from other funds | - | - | - | - |
| Transfers to other funds | (180,000) | (180,000) | (180,000) | - |
| Total Other Financing Sources (Uses) | (178,000) | 21,100 | (180,000) | (201,100) |
| NET CHANGE IN FUND BALANCE | \$ 10,000 | \$ - | 467,708 | \$ 467,708 |
| Fund Balance, Beginning of Year | | | 428,265 | |
| Fund Balance, End of Year | | | \$ 895,973 | |
| NET CHANGE IN FUND BALANCE (BUDGET BASIS) | | | \$ 467,708 | |
| ADJUSTMENTS TO: | | | | |
| Revenues for tax accruals, interest, and other deferrals and accruals | | | 19,026 | |
| Expenditures for payables, prepaid expenditures and other accruals | | | 270 | |
| NET CHANGE IN FUND BALANCE (GAAP BASIS) | | | \$ 487,004 | |

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF GALLUP
MUNICIPAL GAS TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009**

| | BUDGETED AMOUNTS | | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------|-------------|--------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental income | \$ - | \$ 346,000 | \$ - | \$ (346,000) |
| Taxes | - | - | - | - |
| Operating grant - taxes | 750,000 | 750,000 | 796,491 | 46,491 |
| Charges for services | - | - | 1 | - |
| Miscellaneous income | - | - | - | - |
| Interest income | 10,000 | 10,000 | (4,820) | (14,820) |
| Total Revenues | 760,000 | 1,106,000 | 791,672 | (314,329) |
| EXPENDITURES | | | | |
| General government | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Public safety | - | - | - | - |
| Health and welfare | - | - | - | - |
| Public works | 2,256,850 | 2,376,239 | 1,703,121 | 673,118 |
| Principal retirement | - | - | - | - |
| Interest and other charges | - | - | - | - |
| Capital outlay | 267,000 | 882,970 | 603,093 | 279,877 |
| Total Expenditures | 2,523,850 | 3,259,209 | 2,306,214 | 952,995 |
| Excess (Deficiency) of Revenues over Expenditures | (1,763,850) | (2,153,209) | (1,514,542) | 638,667 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Designated cash | - | 389,359 | - | (389,359) |
| Bond and loan proceeds | - | - | - | - |
| Transfers from other funds | 1,763,850 | 1,763,850 | 1,763,850 | - |
| Transfers to other funds | - | - | - | - |
| Total Other Financing Sources (Uses) | 1,763,850 | 2,153,209 | 1,763,850 | (389,359) |
| NET CHANGE IN FUND BALANCE | \$ - | \$ - | 249,308 | \$ 249,308 |
| Fund Balance, Beginning of Year | | | 778,607 | |
| Fund Balance, End of Year | | | \$ 1,027,915 | |
| NET CHANGE IN FUND BALANCE (BUDGET BASIS) | | | \$ 249,308 | |
| ADJUSTMENTS TO: | | | | |
| Revenues for tax accruals, interest, and other deferrals and accruals | | | 31,804 | |
| Expenditures for payables, prepaid expenditures and other accruals | | | (309,480) | |
| NET CHANGE IN FUND BALANCE (GAAP BASIS) | | | \$ (28,368) | |

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF GALLUP
JUVENILE RECREATION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009

| | BUDGETED AMOUNTS | | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------|----------|-------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental income | \$ - | \$ - | \$ - | \$ - |
| Taxes | - | - | - | - |
| Operating grants - taxes | 12,000 | 12,000 | 11,933 | (67) |
| Charges for services | - | - | - | - |
| Miscellaneous income | - | - | - | - |
| Interest income | - | - | 73 | 73 |
| Total Revenues | 12,000 | 12,000 | 12,006 | 6 |
| EXPENDITURES | | | | |
| General government | - | - | - | - |
| Culture and recreation | 12,000 | 43,339 | 33,498 | 9,841 |
| Public safety | - | - | - | - |
| Health and welfare | - | - | - | - |
| Public works | - | - | - | - |
| Principal retirement | - | - | - | - |
| Interest and other charges | - | - | - | - |
| Capital outlay | - | - | - | - |
| Total Expenditures | 12,000 | 43,339 | 33,498 | 9,841 |
| Excess (Deficiency) of Revenues over Expenditures | - | (31,339) | (21,492) | 9,847 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Designated cash | - | 31,339 | - | (31,339) |
| Bond and loan proceeds | - | - | - | - |
| Transfers from other funds | - | - | - | - |
| Transfers to other funds | - | - | - | - |
| Total Other Financing Sources (Uses) | - | 31,339 | - | (31,339) |
| NET CHANGE IN FUND BALANCE | \$ - | \$ - | (21,492) | \$ (21,492) |
| Fund Balance, Beginning of Year | | | 73,504 | |
| Fund Balance, End of Year | | | \$ 52,012 | |
| NET CHANGE IN FUND BALANCE (BUDGET BASIS) | | | \$ (21,492) | |
| ADJUSTMENTS TO: | | | | |
| Revenues for tax accruals, interest, and other deferrals and accruals | | | (315) | |
| Expenditures for payables, prepaid expenditures and other accruals | | | 6,752 | |
| NET CHANGE IN FUND BALANCE (GAAP BASIS) | | | \$ (15,055) | |

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF GALLUP
INTERGOVERNMENTAL GRANTS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009**

| | <u>BUDGETED AMOUNTS</u> | | <u>Actual</u> | Variance with Final Budget Positive (Negative) |
|--|-------------------------|------------------|--------------------|---|
| | <u>Original</u> | <u>Final</u> | | <u>(Negative)</u> |
| REVENUES | | | | |
| Intergovernmental income | \$ - | \$ 323,471 | \$ 73,175 | \$ (250,296) |
| Taxes | - | - | - | - |
| Operating grants - taxes | - | - | - | - |
| Charges for services | - | - | - | - |
| Miscellaneous income | - | - | - | - |
| Interest income | - | - | - | - |
| Total Revenues | <u>-</u> | <u>323,471</u> | <u>73,175</u> | <u>(250,296)</u> |
| EXPENDITURES | | | | |
| General government | - | 59,308 | (4,965) | 64,273 |
| Culture and recreation | - | 31,688 | 15,119 | 16,569 |
| Public safety | - | 73,367 | 73,302 | 65 |
| Health and welfare | - | - | - | - |
| Public works | - | 7,500 | 6,000 | 1,500 |
| Principal retirement | - | - | - | - |
| Interest and other charges | - | - | - | - |
| Capital outlay | <u>-</u> | <u>333,702</u> | <u>103,945</u> | <u>229,757</u> |
| Total Expenditures | <u>-</u> | <u>505,565</u> | <u>193,401</u> | <u>312,164</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>-</u> | <u>(182,094)</u> | <u>(120,226)</u> | <u>61,868</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Designated cash | - | 182,094 | - | (182,094) |
| Bond and loan proceeds | - | - | - | - |
| Transfers from other funds | - | - | - | - |
| Transfers to other funds | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>182,094</u> | <u>-</u> | <u>(182,094)</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ -</u> | <u>\$ -</u> | <u>(120,226)</u> | <u>\$ (120,226)</u> |
| Fund Balance, Beginning of Year | | | <u>186,858</u> | |
| Fund Balance, End of Year | | | <u>\$ 66,632</u> | |
| NET CHANGE IN FUND BALANCE (BUDGET BASIS) | | | \$ (120,226) | |
| ADJUSTMENTS TO: | | | | |
| Revenues for tax accruals, interest, and other deferrals and accruals | | | 39,466 | |
| Expenditures for payables, prepaid expenditures and other accruals | | | <u>21,638</u> | |
| NET CHANGE IN FUND BALANCE (GAAP BASIS) | | | <u>\$ (59,122)</u> | |

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF GALLUP
SENIOR CITIZENS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009

| | BUDGETED AMOUNTS | | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------|------------|------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental income | \$ 235,469 | \$ 553,159 | \$ 261,019 | \$ (292,140) |
| Taxes | - | - | - | - |
| Operating grant - taxes | - | - | - | - |
| Charges for services | - | - | - | - |
| Miscellaneous income | 23,111 | 46,279 | 48,169 | 1,890 |
| Interest income | - | - | 40 | 40 |
| Total Revenues | 258,580 | 599,438 | 309,228 | (290,210) |
| EXPENDITURES | | | | |
| General government | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Public safety | - | - | - | - |
| Health and welfare | 258,580 | 342,119 | 311,338 | 30,781 |
| Public works | - | - | - | - |
| Principal retirement | - | - | - | - |
| Interest and other charges | - | - | - | - |
| Capital outlay | - | 199,763 | - | 199,763 |
| Total Expenditures | 258,580 | 541,882 | 311,338 | 230,544 |
| Excess (Deficiency) of Revenues over Expenditures | - | 57,556 | (2,110) | (59,666) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Designated cash | - | - | - | - |
| Bond and loan proceeds | - | - | - | - |
| Transfers from other funds | - | - | - | - |
| Transfers to other funds | - | - | - | - |
| Total Other Financing Sources (Uses) | - | - | - | - |
| NET CHANGE IN FUND BALANCE | \$ - | \$ 57,556 | (2,110) | \$ (59,666) |
| Fund Balance, Beginning of Year | | | 4,754 | |
| Fund Balance, End of Year | | | \$ 2,644 | |
| NET CHANGE IN FUND BALANCE (BUDGET BASIS) | | | \$ (2,110) | |
| ADJUSTMENTS TO: | | | | |
| Revenues for tax accruals, interest, and other deferrals and accruals | | | 71,084 | |
| Expenditures for payables, prepaid expenditures and other accruals | | | (6,326) | |
| NET CHANGE IN FUND BALANCE (GAAP BASIS) | | | \$ 62,648 | |

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF GALLUP
NA' NIZHOOZI CENTER SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009

| | <u>BUDGETED AMOUNTS</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|--------------|------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Intergovernmental income | \$ - | \$ - | \$ - | \$ - |
| Taxes | - | - | - | - |
| Operating grant - taxes | - | - | - | - |
| Charges for services | - | - | - | - |
| Miscellaneous income | - | - | - | - |
| Interest income | - | - | 18 | 18 |
| Total Revenues | <u>-</u> | <u>-</u> | <u>18</u> | <u>18</u> |
| EXPENDITURES | | | | |
| General government | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Public safety | - | - | - | - |
| Health and welfare | - | - | - | - |
| Public works | - | - | - | - |
| Principal retirement | - | - | - | - |
| Interest and other charges | - | - | - | - |
| Capital outlay | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>-</u> | <u>-</u> | <u>18</u> | <u>18</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Designated cash | - | - | - | - |
| Bond and loan proceeds | - | - | - | - |
| Transfers from other funds | - | - | - | - |
| Transfers to other funds | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ -</u> | <u>\$ -</u> | <u>18</u> | <u>\$ 18</u> |
| Fund Balance, Beginning of Year | | | <u>14,359</u> | |
| Fund Balance, End of Year | | | <u>\$ 14,377</u> | |
| NET CHANGE IN FUND BALANCE (BUDGET BASIS) | | | \$ 18 | |
| ADJUSTMENTS TO: | | | | |
| Revenues for tax accruals, interest, and other deferrals and accruals | | | - | |
| Expenditures for payables, prepaid expenditures and other accruals | | | <u>-</u> | |
| NET CHANGE IN FUND BALANCE (GAAP BASIS) | | | <u>\$ 18</u> | |

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF GALLUP
COMMUNITY DEVELOPMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009

| | <u>BUDGETED AMOUNTS</u> | | <u>Actual</u> | <u>Variance with</u> |
|--|-------------------------|----------------|-------------------|----------------------|
| | <u>Original</u> | <u>Final</u> | | <u>Final Budget</u> |
| | | | | <u>Positive</u> |
| | | | | <u>(Negative)</u> |
| REVENUES | | | | |
| Intergovernmental income | \$ - | \$ 340,711 | \$ 20,872 | \$ (319,839) |
| Taxes | - | - | - | - |
| Operating grant - taxes | - | - | - | - |
| Charges for services | - | - | - | - |
| Miscellaneous income | - | - | - | - |
| Interest income | - | - | (2,048) | (2,048) |
| Total Revenues | <u>-</u> | <u>340,711</u> | <u>18,824</u> | <u>(321,887)</u> |
| EXPENDITURES | | | | |
| General government | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Public safety | - | - | - | - |
| Health and welfare | - | - | - | - |
| Public works | - | 45,000 | 16,010 | 28,990 |
| Principal retirement | - | - | - | - |
| Interest and other charges | - | - | - | - |
| Capital outlay | <u>-</u> | <u>295,711</u> | <u>39,422</u> | <u>256,289</u> |
| Total Expenditures | <u>-</u> | <u>340,711</u> | <u>55,432</u> | <u>285,279</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>-</u> | <u>-</u> | <u>(36,608)</u> | <u>(36,608)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Designated cash | - | - | - | - |
| Bond and loan proceeds | - | - | - | - |
| Transfers from other funds | - | - | - | - |
| Transfers to other funds | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ -</u> | <u>\$ -</u> | <u>(36,608)</u> | <u>\$ (36,608)</u> |
| Fund Balance, Beginning of Year | | | <u>195,264</u> | |
| Fund Balance, End of Year | | | <u>\$ 158,656</u> | |
| NET CHANGE IN FUND BALANCE (BUDGET BASIS) | | | \$ (36,608) | |
| ADJUSTMENTS TO: | | | | |
| Revenues for tax accruals, interest, and other deferrals and accruals | | | 24,128 | |
| Expenditures for payables, prepaid expenditures and other accruals | | | <u>22,676</u> | |
| NET CHANGE IN FUND BALANCE (GAAP BASIS) | | | <u>\$ 10,196</u> | |

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF GALLUP
LAW ENFORCEMENT BLOCK GRANT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009

| | BUDGETED AMOUNTS | | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------|-------|----------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental income | \$ - | \$ - | \$ - | \$ - |
| Taxes | - | - | - | - |
| Operating grant - taxes | - | - | - | - |
| Charges for services | - | - | - | - |
| Miscellaneous income | - | - | - | - |
| Interest income | - | - | 1 | 1 |
| Total Revenues | - | - | 1 | 1 |
| EXPENDITURES | | | | |
| General government | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Public safety | - | - | - | - |
| Health and welfare | - | - | - | - |
| Public works | - | - | - | - |
| Principal retirement | - | - | - | - |
| Interest and other charges | - | - | - | - |
| Capital outlay | - | - | - | - |
| Total Expenditures | - | - | - | - |
| Excess (Deficiency) of Revenues over Expenditures | - | - | 1 | 1 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Designated cash | - | - | - | - |
| Bond and loan proceeds | - | - | - | - |
| Transfers from other funds | - | - | - | - |
| Transfers to other funds | - | - | - | - |
| Total Other Financing Sources (Uses) | - | - | - | - |
| NET CHANGE IN FUND BALANCE | \$ - | \$ - | 1 | \$ 1 |
| Fund Balance, Beginning of Year | | | 1,137 | |
| Fund Balance, End of Year | | | \$ 1,138 | |
| NET CHANGE IN FUND BALANCE (BUDGET BASIS) | | | \$ 1 | |
| ADJUSTMENTS TO: | | | | |
| Revenues for tax accruals, interest, and other deferrals and accruals | | | - | |
| Expenditures for payables, prepaid expenditures and other accruals | | | - | |
| NET CHANGE IN FUND BALANCE (GAAP BASIS) | | | \$ 1 | |

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF GALLUP
02/04 SALES TAX REVENUE BONDS DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009**

| | BUDGETED AMOUNTS | | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------|-------------|-------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental income | \$ - | \$ - | \$ - | \$ - |
| Taxes | - | - | - | - |
| Operating grant - taxes | - | - | - | - |
| Charges for services | - | - | - | - |
| Miscellaneous income | - | - | - | - |
| Interest income | 10,000 | 10,000 | 4,725 | (5,275) |
| Total Revenues | 10,000 | 10,000 | 4,725 | (5,275) |
| EXPENDITURES | | | | |
| General government | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Public safety | - | - | - | - |
| Health and welfare | - | - | - | - |
| Public works | - | - | - | - |
| Principal retirement | 765,000 | 765,000 | 765,000 | - |
| Interest and other charges | 627,600 | 627,600 | 627,587 | 13 |
| Capital outlay | - | - | - | - |
| Total Expenditures | 1,392,600 | 1,392,600 | 1,392,587 | 13 |
| Excess (Deficiency) of Revenues over Expenditures | (1,382,600) | (1,382,600) | (1,387,862) | (5,262) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Designated cash | - | - | - | - |
| Bond and loan proceeds | - | - | - | - |
| Transfers from other funds | 1,382,600 | 1,397,605 | 1,397,600 | (5) |
| Transfers to other funds | - | - | - | - |
| Total Other Financing Sources (Uses) | 1,382,600 | 1,397,605 | 1,397,600 | (5) |
| NET CHANGE IN FUND BALANCE | \$ - | \$ 15,005 | 9,738 | \$ (5,267) |
| Fund Balance, Beginning of Year | | | 71,906 | |
| Fund Balance, End of Year | | | \$ 81,644 | |
| NET CHANGE IN FUND BALANCE (BUDGET BASIS) | | | \$ 9,738 | |
| ADJUSTMENTS TO: | | | | |
| Revenues for tax accruals, interest, and other deferrals and accruals | | | - | |
| Expenditures for payables, prepaid expenditures and other accruals | | | - | |
| NET CHANGE IN FUND BALANCE (GAAP BASIS) | | | \$ 9,738 | |

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF GALLUP
NEW MEXICO FINANCE AUTHORITY DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009**

| | BUDGETED AMOUNTS | | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------|-----------|--------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental income | \$ - | \$ - | \$ - | \$ - |
| Taxes | 685,000 | 685,000 | 747,241 | 62,241 |
| Operating grant - taxes | - | - | - | - |
| Charges for services | - | - | - | - |
| Miscellaneous income | - | - | - | - |
| Interest income | 25,000 | 25,000 | 4,850 | (20,150) |
| Total Revenues | 710,000 | 710,000 | 752,091 | 42,091 |
| EXPENDITURES | | | | |
| General government | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Public safety | - | - | - | - |
| Health and welfare | - | - | - | - |
| Public works | - | - | - | - |
| Principal retirement | 721,090 | 721,090 | 721,083 | 7 |
| Interest and other charges | 312,050 | 312,050 | 312,047 | 3 |
| Capital outlay | - | - | - | - |
| Total Expenditures | 1,033,140 | 1,033,140 | 1,033,130 | 10 |
| Excess (Deficiency) of Revenues over Expenditures | (323,140) | (323,140) | (281,039) | 42,101 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Designated cash | - | 202,099 | - | (202,099) |
| Bond and loan proceeds | - | - | - | - |
| Transfers from other funds | 393,690 | 389,906 | 389,898 | (8) |
| Transfers to other funds | - | (268,865) | (268,864) | (1) |
| Total Other Financing Sources (Uses) | 393,690 | 323,140 | 121,034 | (202,108) |
| NET CHANGE IN FUND BALANCE | \$ 70,550 | \$ - | (160,005) | \$ (160,007) |
| Fund Balance, Beginning of Year | | | 1,493,313 | |
| Fund Balance, End of Year | | | \$ 1,333,308 | |
| NET CHANGE IN FUND BALANCE (BUDGET BASIS) | | | \$ (160,005) | |
| ADJUSTMENTS TO: | | | | |
| Revenues for tax accruals, interest, and other deferrals and accruals | | | (2,622) | |
| Expenditures for payables, prepaid expenditures and other accruals | | | - | |
| NET CHANGE IN FUND BALANCE (GAAP BASIS) | | | \$ (162,627) | |

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF GALLUP
11/00 SALES TAX BONDS DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009

| | <u>BUDGETED AMOUNTS</u> | | <u>Actual</u> | <u>Variance with</u> |
|--|-------------------------|------------------|-------------------|----------------------|
| | <u>Original</u> | <u>Final</u> | | <u>Final Budget</u> |
| | | | | <u>Positive</u> |
| | | | | <u>(Negative)</u> |
| REVENUES | | | | |
| Intergovernmental income | \$ - | \$ - | \$ - | \$ - |
| Taxes | - | - | - | - |
| Operating grant - taxes | - | - | - | - |
| Charges for services | - | - | - | - |
| Miscellaneous income | - | - | - | - |
| Interest income | - | - | (2,195) | (2,195) |
| Total Revenues | <u>-</u> | <u>-</u> | <u>(2,195)</u> | <u>(2,195)</u> |
| EXPENDITURES | | | | |
| General government | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Public safety | - | - | - | - |
| Health and welfare | - | - | - | - |
| Public works | - | - | - | - |
| Principal retirement | 480,000 | 480,000 | 480,000 | - |
| Interest and other charges | 233,850 | 233,850 | 233,844 | 6 |
| Capital outlay | - | - | - | - |
| Total Expenditures | <u>713,850</u> | <u>713,850</u> | <u>713,844</u> | <u>6</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>(713,850)</u> | <u>(713,850)</u> | <u>(716,039)</u> | <u>(2,189)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Designated cash | - | - | - | - |
| Bond and loan proceeds | - | - | - | - |
| Transfers from other funds | 713,850 | 713,850 | 713,856 | 6 |
| Transfers to other funds | - | - | - | - |
| Total Other Financing Sources (Uses) | <u>713,850</u> | <u>713,850</u> | <u>713,856</u> | <u>6</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ -</u> | <u>\$ -</u> | <u>(2,183)</u> | <u>\$ (2,183)</u> |
| Fund Balance, Beginning of Year | | | <u>84,780</u> | |
| Fund Balance, End of Year | | | <u>\$ 82,597</u> | |
| NET CHANGE IN FUND BALANCE (BUDGET BASIS) | | | \$ (2,183) | |
| ADJUSTMENTS TO: | | | | |
| Revenues for tax accruals, interest, and other deferrals and accruals | | | - | |
| Expenditures for payables, prepaid expenditures and other accruals | | | <u>-</u> | |
| NET CHANGE IN FUND BALANCE (GAAP BASIS) | | | <u>\$ (2,183)</u> | |

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF GALLUP
AIRPORT CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009**

| | BUDGETED AMOUNTS | | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------|------------|------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental income | \$ - | \$ 313,675 | \$ 194,702 | \$ (118,973) |
| Taxes | - | - | - | - |
| Operating grant - taxes | - | - | - | - |
| Charges for services | - | - | - | - |
| Miscellaneous income | - | - | - | - |
| Interest income | - | - | 11,483 | 11,483 |
| Total Revenues | - | 313,675 | 206,185 | (107,490) |
| EXPENDITURES | | | | |
| General government | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Public safety | - | - | - | - |
| Health and welfare | - | - | - | - |
| Public works | - | 6,400 | - | 6,400 |
| Principal retirement | - | - | - | - |
| Interest and other charges | - | - | - | - |
| Capital outlay | - | 202,284 | 7,100 | 195,184 |
| Total Expenditures | - | 208,684 | 7,100 | 201,584 |
| Excess (Deficiency) of Revenues over Expenditures | - | 104,991 | 199,085 | 94,094 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Designated cash | - | - | - | - |
| Bond and loan proceeds | - | - | - | - |
| Transfers from other funds | - | - | - | - |
| Transfers to other funds | - | (30,000) | (30,000) | - |
| Total Other Financing Sources (Uses) | - | (30,000) | (30,000) | - |
| NET CHANGE IN FUND BALANCE | \$ - | \$ 74,991 | 169,085 | \$ 94,094 |
| Fund Balance, Beginning of Year | | | 13,980 | |
| Fund Balance, End of Year | | | \$ 183,065 | |
| NET CHANGE IN FUND BALANCE (BUDGET BASIS) | | | \$ 169,085 | |
| ADJUSTMENTS TO: | | | | |
| Revenues for tax accruals, interest, and other deferrals and accruals | | | (179,753) | |
| Expenditures for payables, prepaid expenditures and other accruals | | | 31,850 | |
| NET CHANGE IN FUND BALANCE (GAAP BASIS) | | | \$ 21,182 | |

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF GALLUP
INFRASTRUCTURE GRT CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 20089**

| | BUDGETED AMOUNTS | | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------|-------------|--------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental income | \$ - | \$ - | \$ - | \$ - |
| Taxes | - | - | - | - |
| Operating grant - taxes | - | - | - | - |
| Charges for services | - | - | - | - |
| Miscellaneous income | - | - | - | - |
| Interest income | - | - | (3,842) | (3,842) |
| Total Revenues | - | - | (3,842) | (3,842) |
| EXPENDITURES | | | | |
| General government | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Public safety | - | - | - | - |
| Health and welfare | - | - | - | - |
| Public works | - | - | - | - |
| Principal retirement | - | - | - | - |
| Interest and other charges | - | - | - | - |
| Capital outlay | 800,000 | 1,183,753 | 21,381 | 1,162,372 |
| Total Expenditures | 800,000 | 1,183,753 | 21,381 | 1,162,372 |
| Excess (Deficiency) of Revenues over Expenditures | (800,000) | (1,183,753) | (25,223) | 1,158,530 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Designated cash | - | 527,603 | - | (527,603) |
| Bond and loan proceeds | - | - | - | - |
| Transfers from other funds | 2,420,000 | 2,420,000 | 2,420,004 | 4 |
| Transfers to other funds | (1,613,850) | (1,763,850) | (1,763,850) | - |
| Total Other Financing Sources (Uses) | 806,150 | 1,183,753 | 656,154 | (527,599) |
| NET CHANGE IN FUND BALANCE | \$ 6,150 | \$ - | 630,931 | \$ 630,931 |
| Fund Balance, Beginning of Year | | | 886,638 | |
| Fund Balance, End of Year | | | \$ 1,517,569 | |
| NET CHANGE IN FUND BALANCE (BUDGET BASIS) | | | \$ 630,931 | |
| ADJUSTMENTS TO: | | | | |
| Revenues for tax accruals, interest, and other deferrals and accruals | | | - | |
| Expenditures for payables, prepaid expenditures and other accruals | | | - | |
| NET CHANGE IN FUND BALANCE (GAAP BASIS) | | | \$ 630,931 | |

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF GALLUP
11/00 SALES TAX BOND CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009

| | BUDGETED AMOUNTS | | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------|-----------|-------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental income | \$ - | \$ - | \$ - | \$ - |
| Taxes | - | - | - | - |
| Operating grant - taxes | - | - | - | - |
| Charges for services | - | - | - | - |
| Miscellaneous income | - | - | - | - |
| Interest income | - | - | 1,825 | 1,825 |
| Total Revenues | - | - | 1,825 | 1,825 |
| EXPENDITURES | | | | |
| General government | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Public safety | - | - | - | - |
| Health and welfare | - | - | - | - |
| Public works | - | 41,845 | 28,584 | 13,261 |
| Principal retirement | - | - | - | - |
| Interest and other charges | - | - | - | - |
| Capital outlay | - | 205,474 | (614) | 206,088 |
| Total Expenditures | - | 247,319 | 27,970 | 219,349 |
| Excess (Deficiency) of Revenues over Expenditures | - | (247,319) | (26,145) | 221,174 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Designated cash | - | 247,319 | - | (247,319) |
| Bond and loan proceeds | - | - | - | - |
| Transfers from other funds | - | - | - | - |
| Transfers to other funds | - | - | - | - |
| Total Other Financing Sources (Uses) | - | 247,319 | - | (247,319) |
| NET CHANGE IN FUND BALANCE | \$ - | \$ - | (26,145) | \$ (26,145) |
| Fund Balance, Beginning of Year | | | 273,040 | |
| Fund Balance, End of Year | | | \$ 246,895 | |
| NET CHANGE IN FUND BALANCE (BUDGET BASIS) | | | \$ (26,145) | |
| ADJUSTMENTS TO: | | | | |
| Revenues for tax accruals, interest, and other deferrals and accruals | | | - | |
| Expenditures for payables, prepaid expenditures and other accruals | | | 1,960 | |
| NET CHANGE IN FUND BALANCE (GAAP BASIS) | | | \$ (24,185) | |

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF GALLUP
LEGISLATIVE APPROPRIATIONS CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009**

| | BUDGETED AMOUNTS | | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------|--------------|------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental income | \$ - | \$ 1,862,650 | \$ 320,950 | \$ (1,541,700) |
| Taxes | - | - | - | - |
| Operating grant - taxes | - | - | - | - |
| Charges for services | - | - | - | - |
| Miscellaneous income | - | - | - | - |
| Interest income | - | - | 26 | 26 |
| Total Revenues | - | 1,862,650 | 320,976 | (1,541,674) |
| EXPENDITURES | | | | |
| General government | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Public safety | - | - | - | - |
| Health and welfare | - | - | - | - |
| Public works | - | 898,700 | 46,945 | 851,755 |
| Principal retirement | - | - | - | - |
| Interest and other charges | - | - | - | - |
| Capital outlay | - | 861,514 | 182,073 | 679,441 |
| Total Expenditures | - | 1,760,214 | 229,018 | 1,531,196 |
| Excess (Deficiency) of Revenues over Expenditures | - | 102,436 | 91,958 | (10,478) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Designated cash | - | - | - | - |
| Bond and loan proceeds | - | - | - | - |
| Transfers from other funds | - | - | - | - |
| Transfers to other funds | - | - | - | - |
| Total Other Financing Sources (Uses) | - | - | - | - |
| NET CHANGE IN FUND BALANCE | \$ - | \$ 102,436 | 91,958 | \$ (10,478) |
| Fund Balance, Beginning of Year | | | 2,215 | |
| Fund Balance, End of Year | | | \$ 94,173 | |
| NET CHANGE IN FUND BALANCE (BUDGET BASIS) | | | \$ 91,958 | |
| ADJUSTMENTS TO: | | | | |
| Revenues for tax accruals, interest, and other deferrals and accruals | | | 94,618 | |
| Expenditures for payables, prepaid expenditures and other accruals | | | (78,365) | |
| NET CHANGE IN FUND BALANCE (GAAP BASIS) | | | \$ 108,211 | |

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF GALLUP
GENERAL OBLIGATION BOND CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009

| | BUDGETED AMOUNTS | | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------|-----------|--------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental income | \$ - | \$ - | \$ - | \$ - |
| Taxes | - | - | - | - |
| Operating grant - taxes | - | - | - | - |
| Charges for services | - | - | - | - |
| Miscellaneous income | - | - | - | - |
| Interest income | - | - | 5,419 | 5,419 |
| Total Revenues | - | - | 5,419 | 5,419 |
| EXPENDITURES | | | | |
| General government | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Public safety | - | - | - | - |
| Health and welfare | - | - | - | - |
| Public works | - | 92,900 | 69,741 | 23,159 |
| Principal retirement | - | - | - | - |
| Interest and other charges | - | - | - | - |
| Capital outlay | - | 212,165 | 116,874 | 95,291 |
| Total Expenditures | - | 305,065 | 186,615 | 118,450 |
| Excess (Deficiency) of Revenues over Expenditures | - | (305,065) | (181,196) | 123,869 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Designated cash | - | 305,065 | - | (305,065) |
| Bond and loan proceeds | - | - | - | - |
| Transfers from other funds | - | - | - | - |
| Transfers to other funds | - | - | - | - |
| Total Other Financing Sources (Uses) | - | 305,065 | - | (305,065) |
| NET CHANGE IN FUND BALANCE | \$ - | \$ - | (181,196) | \$ (181,196) |
| Fund Balance, Beginning of Year | | | 309,443 | |
| Fund Balance, End of Year | | | \$ 128,247 | |
| NET CHANGE IN FUND BALANCE (BUDGET BASIS) | | | \$ (181,196) | |
| ADJUSTMENTS TO: | | | | |
| Revenues for tax accruals, interest, and other deferrals and accruals | | | - | |
| Expenditures for payables, prepaid expenditures and other accruals | | | 14,654 | |
| NET CHANGE IN FUND BALANCE (GAAP BASIS) | | | \$ (166,542) | |

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF GALLUP
02/04 SALES NON TAX BONDS CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009

| | BUDGETED AMOUNTS | | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------|----------|-------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental income | \$ - | \$ - | \$ - | \$ - |
| Taxes | - | - | - | - |
| Operating grant - taxes | - | - | - | - |
| Charges for services | - | - | - | - |
| Miscellaneous income | - | - | - | - |
| Interest income | - | - | 92 | 92 |
| Total Revenues | - | - | 92 | 92 |
| EXPENDITURES | | | | |
| General government | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Public safety | - | - | - | - |
| Health and welfare | - | - | - | - |
| Public works | - | 32,469 | 28,313 | (4,156) |
| Principal retirement | - | - | - | - |
| Interest and other charges | - | - | - | - |
| Capital outlay | - | 62,541 | 42,633 | 19,908 |
| Total Expenditures | - | 95,010 | 70,946 | 15,752 |
| Excess (Deficiency) of Revenues over Expenditures | - | (95,010) | (70,854) | 24,156 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Designated cash | - | 95,010 | - | (95,010) |
| Bond and loan proceeds | - | - | - | - |
| Transfers from other funds | - | - | - | - |
| Transfers to other funds | - | - | - | - |
| Total Other Financing Sources (Uses) | - | 95,010 | - | (95,010) |
| NET CHANGE IN FUND BALANCE | \$ - | \$ - | (70,854) | \$ (70,854) |
| Fund Balance, Beginning of Year | | | 96,091 | |
| Fund Balance, End of Year | | | \$ 25,237 | |
| NET CHANGE IN FUND BALANCE (BUDGET BASIS) | | | \$ (70,854) | |
| ADJUSTMENTS TO: | | | | |
| Revenues for tax accruals, interest, and other deferrals and accruals | | | - | |
| Expenditures for payables, prepaid expenditures and other accruals | | | 8,423 | |
| NET CHANGE IN FUND BALANCE (GAAP BASIS) | | | \$ (62,431) | |

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF GALLUP
02/04 SALES TAX BONDS CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009

| | BUDGETED AMOUNTS | | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------|----------|-------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental income | \$ - | \$ - | \$ - | \$ - |
| Taxes | - | - | - | - |
| Operating grant - taxes | - | - | - | - |
| Charges for services | - | - | - | - |
| Miscellaneous income | - | - | - | - |
| Interest income | - | - | 84 | 84 |
| Total Revenues | - | - | 84 | 84 |
| EXPENDITURES | | | | |
| General government | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Public safety | - | - | - | - |
| Health and welfare | - | - | - | - |
| Public works | - | 78 | - | (78) |
| Principal retirement | - | - | - | - |
| Interest and other charges | - | - | - | - |
| Capital outlay | - | 59,009 | 10,133 | 48,876 |
| Total Expenditures | - | 59,087 | 10,133 | 48,798 |
| Excess (Deficiency) of Revenues over Expenditures | - | (59,087) | (10,049) | 49,038 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Designated cash | - | 59,087 | - | (59,087) |
| Bond and loan proceeds | - | - | - | - |
| Transfers from other funds | - | - | - | - |
| Transfers to other funds | - | - | - | - |
| Total Other Financing Sources (Uses) | - | 59,087 | - | (59,087) |
| NET CHANGE IN FUND BALANCE | \$ - | \$ - | (10,049) | \$ (10,049) |
| Fund Balance, Beginning of Year | | | 64,992 | |
| Fund Balance, End of Year | | | \$ 54,943 | |
| NET CHANGE IN FUND BALANCE (BUDGET BASIS) | | | \$ (10,049) | |
| ADJUSTMENTS TO: | | | | |
| Revenues for tax accruals, interest, and other deferrals and accruals | | | - | |
| Expenditures for payables, prepaid expenditures and other accruals | | | - | |
| NET CHANGE IN FUND BALANCE (GAAP BASIS) | | | \$ (10,049) | |

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF GALLUP
PUBLIC WORKS CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009

| | <u>BUDGETED AMOUNTS</u> | | <u>Actual</u> | <u>Variance with</u> |
|---|-------------------------|--------------------|---------------------|----------------------|
| | <u>Original</u> | <u>Final</u> | | <u>Final Budget</u> |
| | | | | <u>Positive</u> |
| | | | | <u>(Negative)</u> |
| REVENUES | | | | |
| Intergovernmental income | \$ - | \$ 1,380,100 | \$ 430,000 | \$ (950,100) |
| Taxes | - | - | - | - |
| Operating grant - taxes | - | - | - | - |
| Charges for services | - | - | - | - |
| Miscellaneous income | - | - | - | - |
| Interest income | - | - | 4,923 | 4,923 |
| Total Revenues | <u>-</u> | <u>1,380,100</u> | <u>434,923</u> | <u>(945,177)</u> |
| EXPENDITURES | | | | |
| General government | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Public safety | - | - | - | - |
| Health and welfare | - | - | - | - |
| Public works | - | 137,697 | 20,629 | 117,068 |
| Principal retirement | - | - | - | - |
| Interest and other charges | - | - | - | - |
| Capital outlay | - | 3,423,129 | 927,254 | 2,495,875 |
| Total Expenditures | <u>-</u> | <u>3,560,826</u> | <u>947,883</u> | <u>2,612,943</u> |
| Excess (Deficiency) of | | | | |
| Revenues over Expenditures | <u>-</u> | <u>(2,180,726)</u> | <u>(512,960)</u> | <u>1,667,766</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Designated cash | - | 1,275,572 | - | (1,275,572) |
| Bond and loan proceeds | - | - | - | - |
| Transfers from other funds | - | 905,154 | 905,154 | - |
| Transfers to other funds | - | - | - | - |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>2,180,726</u> | <u>905,154</u> | <u>(1,275,572)</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ -</u> | <u>\$ -</u> | <u>392,194</u> | <u>\$ 392,194</u> |
| Fund Balance, Beginning of Year | | | <u>1,314,284</u> | |
| Fund Balance, End of Year | | | <u>\$ 1,706,478</u> | |
| NET CHANGE IN FUND BALANCE (BUDGET BASIS) | | | <u>\$ 392,194</u> | |
| ADJUSTMENTS TO: | | | | |
| Revenues for tax accruals, interest, and other deferrals and accruals | | | 60,000 | |
| Expenditures for payables, prepaid expenditures and other accruals | | | <u>222,415</u> | |
| NET CHANGE IN FUND BALANCE (GAAP BASIS) | | | <u>\$ 674,609</u> | |

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF GALLUP
SOLID WASTE ENTERPRISE FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009**

| | <u>BUDGETED AMOUNTS</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|-------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | | <u>(Negative)</u> |
| REVENUES | | | | |
| Intergovernmental income | \$ - | \$ 2,011 | \$ 1,856 | \$ (155) |
| Taxes | - | - | - | - |
| Operating grant - taxes | 400,000 | 400,000 | 418,754 | 18,754 |
| Charges for services | 2,486,240 | 2,486,240 | 3,039,772 | 553,532 |
| Miscellaneous income | - | - | - | - |
| Interest income | 52,360 | 52,360 | 53,096 | 736 |
| Total Revenues | <u>2,938,600</u> | <u>2,940,611</u> | <u>3,513,478</u> | <u>572,867</u> |
| EXPENSES | | | | |
| Personnel services | 547,850 | 562,850 | 556,353 | 6,497 |
| Depreciation expense | - | - | - | - |
| Amortization expense | - | - | - | - |
| Operating expenses | 1,637,260 | 1,875,460 | 1,600,776 | 274,684 |
| Capital outlay | 400,000 | 378,500 | 377,560 | 940 |
| Principal retirement | - | - | - | - |
| Interest and other charges | - | - | - | - |
| Total Expenses | <u>2,585,110</u> | <u>2,816,810</u> | <u>2,534,689</u> | <u>282,121</u> |
| Excess (Deficiency) of Revenues over Expenses | <u>353,490</u> | <u>123,801</u> | <u>978,789</u> | <u>854,988</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Designated cash | - | 787,240 | - | (787,240) |
| Bond and loan proceeds | - | - | - | - |
| Transfers from other funds | - | - | - | - |
| Transfers to other funds | (353,490) | (353,490) | (324,106) | 29,384 |
| Total Other Financing Sources (Uses) | <u>(353,490)</u> | <u>433,750</u> | <u>(324,106)</u> | <u>(757,856)</u> |
| Change in Net Assets | <u>\$ -</u> | <u>\$ 557,551</u> | 654,683 | <u>\$ 97,132</u> |
| Net Assets, Beginning of Year | | | <u>1,761,775</u> | |
| Net Assets, End of Year | | | <u>\$ 2,416,458</u> | |

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF GALLUP
JOINT UTILITIES ENTERPRISE FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009**

| | <u>BUDGETED AMOUNTS</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|--------------------|----------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Intergovernmental income | \$ - | \$ 89,181 | \$ 100,300 | \$ 11,119 |
| Taxes | - | - | - | - |
| Operating grant - taxes | - | - | - | - |
| Charges for services | 25,482,100 | 25,488,420 | 28,938,142 | 3,449,722 |
| Miscellaneous income | - | 20,176 | 20,176 | - |
| Interest income | - | - | 465,968 | 465,968 |
| Total Revenues | <u>25,482,100</u> | <u>25,597,777</u> | <u>29,524,586</u> | <u>3,926,809</u> |
| EXPENDITURES | | | | |
| Personnel services | 3,492,870 | 3,492,870 | 2,767,653 | 725,217 |
| Depreciation expense | - | - | - | - |
| Amortization expense | - | - | - | - |
| Operating expenses | 17,490,440 | 20,721,545 | 17,464,937 | 3,256,608 |
| Capital outlay | 1,599,360 | 7,186,797 | 5,016,185 | 2,170,612 |
| Principal retirement | 1,573,310 | 1,573,310 | 1,573,302 | 8 |
| Interest and other charges | <u>1,147,880</u> | <u>1,147,880</u> | <u>1,147,867</u> | <u>13</u> |
| Total Expenses | <u>25,303,860</u> | <u>34,122,402</u> | <u>27,969,944</u> | <u>6,152,458</u> |
| Excess (Deficiency) of Revenues over Expenses | <u>178,240</u> | <u>(8,524,625)</u> | <u>1,554,642</u> | <u>10,079,267</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Designated cash | 2,186,130 | 10,878,995 | - | (10,878,995) |
| Bond and loan proceeds | - | - | - | - |
| Transfers from other funds | 2,810,210 | 2,810,210 | 4,560,204 | 1,749,994 |
| Transfers to other funds | <u>(5,164,580)</u> | <u>(5,164,580)</u> | <u>(6,659,758)</u> | <u>(1,495,178)</u> |
| Total Other Financing Sources (Uses) | <u>(168,240)</u> | <u>8,524,625</u> | <u>(2,099,554)</u> | <u>(10,624,179)</u> |
| Net Change in Net Assets | <u>\$ 10,000</u> | <u>\$ -</u> | <u>(544,912)</u> | <u>\$ (544,912)</u> |
| Net Assets, Beginning of Year | | | <u>22,198,222</u> | |
| Net Assets, End of Year | | | <u>\$ 21,653,310</u> | |

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF GALLUP
THE FITNESS CENTER ENTERPRISE FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009**

| | BUDGETED AMOUNTS | | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------|-----------|------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental income | \$ - | \$ - | \$ - | \$ - |
| Taxes | - | - | - | - |
| Operating grant - taxes | - | - | - | - |
| Charges for services | 190,000 | 190,000 | 168,371 | (21,629) |
| Miscellaneous income | - | 11,606 | 11,697 | 91 |
| Interest income | - | - | 3,746 | 3,746 |
| Total Revenues | 190,000 | 201,606 | 183,814 | (17,792) |
| EXPENSES | | | | |
| Personnel services | 136,060 | 136,060 | 117,280 | 18,780 |
| Depreciation expense | - | - | - | - |
| Amortization expense | - | - | - | - |
| Operating expenses | 120,910 | 191,603 | 123,920 | 67,683 |
| Capital outlay | - | - | - | - |
| Principal retirement | - | - | - | - |
| Interest and other charges | - | - | - | - |
| Total Expenses | 256,970 | 327,663 | 241,200 | 86,463 |
| Excess (Deficiency) of Revenues over Expenses | (66,970) | (126,057) | (57,386) | 68,671 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Designated cash | - | 59,087 | - | (59,087) |
| Bond and loan proceeds | - | - | - | - |
| Transfers from other funds | 66,970 | 66,970 | 66,972 | 2 |
| Transfers to other funds | - | - | - | - |
| Total Other Financing Sources (Uses) | 66,970 | 126,057 | 66,972 | (59,085) |
| Change in Net Assets | \$ - | \$ - | 9,586 | \$ 9,586 |
| Net Assets, Beginning of Year | | | 199,504 | |
| Net Assets, End of Year | | | \$ 209,090 | |
| CHANGE IN NET ASSETS (BUDGET BASIS) | | | \$ 9,586 | |
| ADJUSTMENTS TO: | | | | |
| Revenues for tax accruals, interest, and other deferrals and accruals | | | 20,601 | |
| Expenses for payables, prepaid expenses and other accruals | | | (4,276) | |
| CHANGE IN NET ASSETS (GAAP BASIS) | | | \$ 25,911 | |

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF GALLUP
WRANGLER JUNIOR HIGH SCHOOL RODEO ENTERPRISE FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009**

| | <u>BUDGETED AMOUNTS</u> | | <u>Actual</u> | Variance with Final Budget Positive (Negative) |
|--|-------------------------|------------------|-------------------|---|
| | <u>Original</u> | <u>Final</u> | | <u>(Negative)</u> |
| REVENUES | | | | |
| Intergovernmental income | \$ 50,000 | \$ 200,000 | \$ 100,000 | \$ (100,000) |
| Taxes | - | - | - | - |
| Operating grant - taxes | - | - | - | - |
| Charges for services | 300,000 | 255,739 | 230,371 | (25,368) |
| Miscellaneous income | - | 378,301 | 217,931 | (160,370) |
| Interest income | 250 | 60 | 89 | 29 |
| Total Revenues | <u>350,250</u> | <u>834,100</u> | <u>548,391</u> | <u>(285,709)</u> |
| EXPENSES | | | | |
| Personnel services | - | - | - | - |
| Depreciation expense | - | - | - | - |
| Amortization expense | - | - | - | - |
| Operating expenses | 350,000 | 944,566 | 550,175 | 394,391 |
| Capital outlay | - | - | - | - |
| Principal retirement | - | - | - | - |
| Interest and other charges | - | - | - | - |
| Total Expenses | <u>350,000</u> | <u>944,566</u> | <u>550,175</u> | <u>394,391</u> |
| Excess (Deficiency) of Revenues over Expenses | <u>250</u> | <u>(110,466)</u> | <u>(1,784)</u> | <u>108,682</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Designated cash | - | 110,466 | - | (110,466) |
| Bond and loan proceeds | - | - | - | - |
| Transfers from other funds | - | - | - | - |
| Transfers to other funds | - | - | - | - |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>110,466</u> | <u>-</u> | <u>(110,466)</u> |
| Change in Net Assets | <u>\$ 250</u> | <u>\$ -</u> | <u>(1,784)</u> | <u>\$ (1,784)</u> |
| Net Assets, Beginning of Year | | | <u>473,735</u> | |
| Net Assets, End of Year | | | <u>\$ 471,951</u> | |
| CHANGE IN NET ASSETS (BUDGET BASIS) | | | \$ (1,784) | |
| ADJUSTMENTS TO: | | | | |
| Revenues for tax accruals, interest, and other deferrals and accruals | | | 2,610 | |
| Expenses for payables, prepaid expenses and other accruals | | | <u>17,146</u> | |
| CHANGE IN NET ASSETS (GAAP BASIS) | | | <u>\$ 17,972</u> | |

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF GALLUP
GAMERCO BILLING ENTERPRISE FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009**

| | BUDGETED AMOUNTS | | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------|------------|------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental income | \$ - | \$ - | \$ - | \$ - |
| Taxes | - | - | - | - |
| Operating grant - taxes | - | - | - | - |
| Charges for services | 375,000 | 375,000 | 418,407 | 43,407 |
| Miscellaneous income | - | - | - | - |
| Interest income | 1,500 | 1,500 | 10,001 | 8,501 |
| Total Revenues | 376,500 | 376,500 | 428,408 | 51,908 |
| EXPENSES | | | | |
| Personnel services | - | - | - | - |
| Depreciation expense | - | - | - | - |
| Amortization expense | - | - | - | - |
| Operating expenses | 85,000 | 134,000 | 133,344 | 656 |
| Capital outlay | - | - | - | - |
| Principal retirement | - | - | - | - |
| Interest and other charges | - | - | - | - |
| Total Expenses | 85,000 | 134,000 | 133,344 | 656 |
| Excess (Deficiency) of Revenues over Expenses | 291,500 | 242,500 | 295,064 | 52,564 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Designated cash | - | - | - | - |
| Bond and loan proceeds | - | - | - | - |
| Transfers from other funds | - | - | - | - |
| Transfers to other funds | - | - | - | - |
| Total Other Financing Sources (Uses) | - | - | - | - |
| Change in Net Assets | \$ 291,500 | \$ 242,500 | 295,064 | \$ 52,564 |
| Net Assets, Beginning of Year | | | 451,215 | |
| Net Assets, End of Year | | | \$ 746,279 | |
| CHANGE IN NET ASSETS (BUDGET BASIS) | | | \$ 295,064 | |
| ADJUSTMENTS TO: | | | | |
| Revenues for tax accruals, interest, and other deferrals and accruals | | | (20,642) | |
| Expenses for payables, prepaid expenses and other accruals | | | - | |
| CHANGE IN NET ASSETS (GAAP BASIS) | | | \$ 274,422 | |

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF GALLUP
RISK MANAGEMENT INTERNAL SERVICE FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009**

| | BUDGETED AMOUNTS | | Actual | Variance with Final Budget Positive (Negative) |
|--|-------------------------|------------------|---------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Assessments | \$ 2,111,470 | \$ 2,111,470 | \$ 2,111,460 | \$ (10) |
| Intergovernmental income | - | 10,000 | 10,000 | - |
| Operating grant - taxes | - | - | - | - |
| Charges for services | - | - | - | - |
| Miscellaneous income | - | 30,000 | 39,393 | 9,393 |
| Interest income | - | - | 16,412 | 16,412 |
| Total Revenues | <u>2,111,470</u> | <u>2,151,470</u> | <u>2,177,265</u> | <u>25,795</u> |
| EXPENSES | | | | |
| Personnel services | 272,830 | 282,830 | 279,909 | 2,921 |
| Depreciation expense | - | - | - | - |
| Amortization expense | - | - | - | - |
| Operating expenses | 1,838,640 | 2,054,087 | 1,805,641 | 248,446 |
| Capital outlay | - | - | - | - |
| Principal retirement | - | - | - | - |
| Interest and other charges | - | - | - | - |
| Total Expenditures | <u>2,111,470</u> | <u>2,336,917</u> | <u>2,085,550</u> | <u>251,367</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>-</u> | <u>(185,447)</u> | <u>91,715</u> | <u>277,162</u> |
| OTHER FINANCING SOURCES | | | | |
| Designated cash | 225,447 | 155,447 | - | (155,447) |
| Bond and loan proceeds | - | - | - | - |
| Transfers from other funds | - | 30,000 | 40,000 | (10,000) |
| Transfers to other funds | - | - | - | - |
| Total Other Financing Sources (Uses) | <u>225,447</u> | <u>185,447</u> | <u>40,000</u> | <u>(165,447)</u> |
| Change in Net Assets | <u>\$ 225,447</u> | <u>\$ -</u> | <u>131,715</u> | <u>\$ 111,715</u> |
| Net Assets, Beginning of Year | | | <u>2,991,382</u> | |
| Net Assets, End of Year | | | <u>\$ 3,123,097</u> | |

The accompanying notes are an integral part of these financial statements.

NEW MEXICO STATE AUDITOR DISCLOSURES

**STATE OF NEW MEXICO
CITY OF GALLUP
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS AND PLEDGED COLLATERAL
JUNE 30, 2009**

| | | <u>Book Balance</u> | <u>Bank Balance</u> | <u>Reconciled</u> |
|--|----------------|----------------------|-----------------------|----------------------|
| WELLS FARGO, NEW MEXICO | | | | |
| Operations | Checking | \$ 3,594,078 | \$ 2,647,864 | \$ 3,594,078 |
| Wrangler JHS Rodeo | Checking | 365,643 | 366,655 | 365,643 |
| City of Gallup | CD | 1,000,000 | 1,000,000 | 1,000,000 |
| Gallup Municipal Court | Money Market | 12,625 | 13,927 | 12,625 |
| Municipality of Gallup | | <u>\$ 4,972,346</u> | <u>4,028,446</u> | <u>\$ 4,972,346</u> |
| Less FDIC coverage | | | <u>250,000</u> | |
| Uninsured Public Funds | | | 3,778,446 | |
| Less Pledged Collateral held by the pledging financial institution | | | <u>(7,761,248)</u> | |
| Over insured and over collateralized | | | <u>\$ (3,982,802)</u> | |
| Collateral requirement - 50% of uninsured funds | | | \$ 1,889,223 | |
| Pledged Security | | | <u>7,761,248</u> | |
| Over Collateral Requirement | | | <u>\$ 5,872,026</u> | |
| WELLS FARGO BROKERAGE | | | | |
| City of Gallup | Treasury Notes | 19,339,248 | 19,339,248 | 19,339,248 |
| City of Gallup | Money Market | <u>2,693,049</u> | <u>2,693,049</u> | <u>2,693,049</u> |
| Municipality of Gallup | | <u>\$ 22,032,297</u> | <u>\$ 22,032,297</u> | <u>\$ 22,032,297</u> |
| BANK OF ALBUQUERQUE - NEW MEXICO FINANCE AUTHORITY | | | | |
| Equipment Loan | Cash Deposit | \$ 348,252 | \$ 348,252 | \$ 348,252 |
| Fire Station Loan | Cash Deposit | 136,490 | 136,490 | 136,490 |
| Water Trust Board Grants | Cash Deposit | <u>2,737,213</u> | <u>2,737,213</u> | <u>2,737,213</u> |
| Municipality of Gallup | | <u>\$ 3,221,955</u> | <u>\$ 3,221,955</u> | <u>\$ 3,221,955</u> |
| FIRST COMMUNITY BANK | | | | |
| City of Gallup | CD | <u>\$ 20,000,000</u> | <u>\$ 20,000,000</u> | <u>\$ 20,000,000</u> |
| Municipality of Gallup | | <u>\$ 20,000,000</u> | 20,000,000 | <u>\$ 20,000,000</u> |
| Less FDIC coverage | | | <u>250,000</u> | |
| Uninsured Public Funds | | | 19,750,000 | |
| Less Pledged Collateral held by the pledging financial institution | | | <u>(10,273,274)</u> | |
| Under insured and undercollateralized | | | <u>\$ 9,476,726</u> | |
| Collateral requirement - 50% of uninsured funds | | | \$ 9,875,000 | |
| Pledged Security | | | <u>10,273,274</u> | |
| Over Collateral Requirement | | | <u>\$ 398,274</u> | |
| PINNACLE BANK | | | | |
| City of Gallup | CD | <u>\$ 2,000,000</u> | <u>\$ 2,000,000</u> | <u>\$ 2,000,000</u> |
| Municipality of Gallup | | <u>\$ 2,000,000</u> | 2,000,000 | <u>\$ 2,000,000</u> |
| Less FDIC coverage | | | <u>250,000</u> | |
| Uninsured Public Funds | | | 1,750,000 | |
| Less Pledged Collateral held by the pledging financial institution | | | <u>(9,125,000)</u> | |
| Over insured and over collateralized | | | <u>\$ (7,375,000)</u> | |
| Collateral requirement - 50% of uninsured funds | | | \$ 875,000 | |
| Pledged Security | | | <u>10,000,000</u> | |
| Over Collateral Requirement | | | <u>\$ 9,125,000</u> | |

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF GALLUP
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS AND PLEDGED COLLATERAL
JUNE 30, 2009**

| | | <u>Book Balance</u> | <u>Bank Balance</u> | <u>Reconciled</u> |
|--|-----------------|----------------------|-----------------------|----------------------|
| NEW MEXICO STATE TREASURER | | | | |
| VALUE OF ACCOUNTS PER BANK | | | | |
| Municipality of Gallup | Investment Pool | \$ 23,877 | \$ 23,877 | \$ 23,877 |
| TOTAL FINANCIAL INSTITUTIONS | | | | |
| VALUE OF ACCOUNTS PER BANK | | | | |
| City of Gallup | Checking | 3,959,721 | 3,014,519 | 3,959,721 |
| City of Gallup | Money Market | 2,705,674 | 2,706,976 | 2,705,674 |
| City of Gallup | CD | 23,000,000 | 23,000,000 | 23,000,000 |
| City of Gallup | Cash Deposit | 3,221,955 | 3,221,955 | 3,221,955 |
| City of Gallup | Treasury Notes | 19,339,248 | 19,339,248 | 19,339,248 |
| City of Gallup | Investment Pool | <u>23,877</u> | <u>23,877</u> | <u>23,877</u> |
| Municipality of Gallup | | 52,250,475 | \$ 51,306,575 | 52,250,475 |
| Less NMFA Cash Deposit Accounts | | 3,221,955 | 3,221,955 | 3,221,955 |
| Less Wells Fargo Brokerage | | 22,032,297 | 22,032,297 | 22,032,297 |
| Less N.M. State Treasurer | | <u>23,877</u> | <u>23,877</u> | <u>23,877</u> |
| | | <u>\$ 26,972,346</u> | <u>\$ 26,028,446</u> | <u>\$ 26,972,346</u> |
| Less FDIC coverage | | | <u>750,000</u> | |
| Uninsured Public Funds | | | 25,278,446 | |
| Less Pledged Collateral held by the pledging financial institution | | | <u>(27,159,522)</u> | |
| Over insured and over collateralized | | | <u>\$ (1,881,076)</u> | |
| Collateral requirement - 50% of uninsured funds | | | \$ 12,639,223 | |
| Pledged Security | | | <u>28,034,522</u> | |
| Over Collateral Requirement | | | <u>\$ 15,395,299</u> | |

The accompanying notes are an integral part of these financial statements.

SINGLE AUDIT SECTION



Griego Professional Services, LLC

Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

City of Gallup
Gallup, New Mexico
To the Honorable Mayor and City Council
Hector Balderas
New Mexico State Auditor
The Office of Management and Budget

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, the aggregate remaining fund information, the budgetary comparison for the general fund of the City of Gallup (the "City"), New Mexico, as of and for the year ended June 30, 2009, and have issued our report thereon dated November 10, 2009. We also have audited the financial statements of each of the City's non-major governmental, non-major enterprise and internal service funds, including budgetary comparisons and the major enterprise fund budgetary comparison, presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2009, as listed in the table of contents, and have issued our report thereon dated November 10, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Gallup, New Mexico's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City of Gallup's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as described below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatements of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items FS 08-06, FS 08-07, FS 08-08, FS 09-01 and FS 09-02 to be significant deficiencies in internal control over financial reporting.

A *material weakness* is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be presented or detected by the entity's internal control.

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Our consideration of the internal control over financial reporting was for the limited purposes described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. There were deficiencies over internal control considered to be material weaknesses described in the accompanying schedule of findings and questioned costs as items FS 08-07 and FS 08-08.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Gallup, New Mexico's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item FS 08-06 and FS 09-02.

The agency's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the agency's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, City Council, City management, others within the organization, the Office of the State Auditor, the New Mexico State Legislature and its committees, the New Mexico Department of Finance and Administration, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Albuquerque, New Mexico
November 10, 2009

FEDERAL FINANCIAL ASSISTANCE



Griego Professional Services, LLC

Certified Public Accountants

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

City of Gallup
Gallup, New Mexico
To the Honorable Mayor and City Council
Hector Balderas
New Mexico State Auditor
The Office of Management and Budget

Compliance

We have audited the compliance of the City of Gallup (the "City"), New Mexico, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The City of Gallup, New Mexico's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Gallup, New Mexico's management. Our responsibility is to express an opinion on the City of Gallup, New Mexico's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Gallup, New Mexico's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Gallup, New Mexico's compliance with those requirements.

In our opinion, the City of Gallup, New Mexico complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the City of Gallup, New Mexico, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Gallup, New Mexico's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more the inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, City council, City management, others within the organization, the Office of the State Auditor, the New Mexico State Legislature and its committees, the New Mexico Department of Finance and Administration, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Grigo Professional Services, LLC

Albuquerque, New Mexico
November 10, 2009

**STATE OF NEW MEXICO
CITY OF GALLUP
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2009**

| <u>Federal Grantor/Pass Through Grantor/Program Title</u> | <u>Grant Number</u> | <u>Federal CFDA Number</u> | <u>Federal Expenditures</u> |
|---|-------------------------|------------------------------------|---------------------------------|
| U.S. Department of Agriculture | | | |
| Passed through N.M. Area Agency on Aging | | | |
| Special Programs for the Aging Title III, Part B | 2008-09 60013 | 93.044 | \$ 29,294 |
| Special Programs for the Aging Title III, Part C-1 | 2008-09 60013 | 93.045 | 28,132 |
| Special Programs for the Aging Title III, Part C-2 | 2008-09 60013 | 93.045 | 6,983 |
| Nutrition Program for the Elderly | 2008-09 60013 | 10.570 | <u>38,738</u> |
| Total U.S. Department of Agriculture | | | <u>103,147</u> |
| U.S. Department of Housing and Urban Development | | | |
| Direct Programs: | | | |
| Low - Rent Housing Program Operating Subsidy | N/A | 14.850 | 921,378 |
| Capital Fund Projects | N/A | 14.872 | 23,450 |
| Section 8 Housing Choice Vouchers | N/A | 14.871 | <u>83,420</u> |
| Total U.S. Department of Housing and Urban Development | | | <u>1,004,798</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 1,107,945</u> |

NOTE 1: BASIS OF PRESENTATION

This schedule was prepared in accordance with the modified accrual basis of accounting.

STATE OF NEW MEXICO
CITY OF GALLUP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

Section I – Summary of Audit Results

Financial Statements:

- | | |
|--|-------------|
| 1. Type of auditors' report issued | Unqualified |
| 2. Internal control over financial reporting: | |
| a. Material weakness identified? | Yes |
| b. Significant deficiency identified not considered to be a material weaknesses? | Yes |
| c. Control deficiency identified not considered to be a significant deficiency? | No |
| d. Compliance and other matters identified? | No |

Federal Awards:

- | 1. Internal control over major programs: | | | | | |
|--|----------------------------------|-----------------|--------|----------------------------------|--|
| a. Material weaknesses identified? | No | | | | |
| b. Significant deficiency identified not considered to be material weaknesses? | No | | | | |
| c. Control deficiency identified not considered to be significant deficiency? | No | | | | |
| 2. Type of auditors' report issued on compliance for major programs | Unqualified | | | | |
| 3. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? | No | | | | |
| 4. Identification of major programs: | | | | | |
| <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center; border-bottom: 1px solid black;">CFDA Number</th> <th style="text-align: center; border-bottom: 1px solid black;">Federal Program</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">14.850</td> <td style="text-align: center;">Low Rent Housing Subsidy Program</td> </tr> </tbody> </table> | CFDA Number | Federal Program | 14.850 | Low Rent Housing Subsidy Program | |
| CFDA Number | Federal Program | | | | |
| 14.850 | Low Rent Housing Subsidy Program | | | | |
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$300,000 | | | | |
| 6. Auditee qualified as low-risk auditee? | No | | | | |

STATE OF NEW MEXICO
CITY OF GALLUP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

Section II – Financial Statement Findings

FS 09-01 — Timeliness of Deposits

Condition: During our testwork of receipts, we noted one out of fifteen in which a receipt was not deposited timely. The deposit made in the amount of \$571 was not made in a timely manner.

Criteria: Effective internal controls over cash receipts should require the deposit of all cash receipts daily.

Effect: Non-adherence to strong internal controls may subject the City to a possible occurrence of fraud.

Cause: The staff of the City did not deposit the funds golf course funds within 24 hours after receipt. Proper procedures relating to cash receipts were not followed.

Auditors' Recommendations: We recommend that the City emphasize the importance of timely deposits of receipts, and monitor receipts more closely. The City should cross-train employees so that more than one individual is able to make deposits to ensure daily deposits are possible. This appears to have been an isolated instance as the City does maintain procedures over cash receipts.

Management's Response: We are contracting with an outside agency to pick up Golf Course deposits daily. We should have this completed within a couple of months.

FS 09-02 – Itemized Receipts

Condition: During our test work of Travel and Per Diem, we noted three out of eight instances in which a receipt was not itemized.

Criteria: City of Gallup policies and procedures require itemized receipts to be provided upon return from travel.

Effect: Non-adherence to The City of Gallup's internal controls may subject the City to a possible occurrence of fraud.

Cause: The staff did not follow the allowable procedures provided through the City of Gallup employee handbook.

Auditors' Recommendations: We recommend that the City emphasize and adhere to the Employee Handbook's procedures to prevent such an occurrence.

Management's Response: We will continue to enforce our policies and procedures. We will also conduct training on our travel policies so that all of our employees will know and follow procedures.

STATE OF NEW MEXICO
CITY OF GALLUP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

FS 08-06 Lack of Supporting Documentation (Housing Authority)

Condition: During our test of Travel & Per Diem ten we requested expenditures for travel. The client was unable to furnish any documents relating to 8 of the 10 expenditures to allow for proper testing of controls in this area. The items to be tested had a total value of \$2,404.53.

Criteria: NMAC 6.20 2.14: Protection of records requires that the administrator and every other custodian of public records shall carefully protect and preserve such records from deterioration, mutilation, loss or destruction and, whenever advisable, shall cause them to be properly repaired and renovated. All paper, ink and other materials used in public offices for the purposes of permanent records shall be of durable quality.

Effect: The Authority is in violation of NMAC 6 20 2.14. The Authority's auditors were also not able to test compliance in the area of travel expenditures.

Cause: Records were not properly completed and maintained. Proper internal controls were not implemented at the time to prevent the loss of supporting documentation for these invoices.

Auditor's Recommendation: We recommend that personnel in charge of documents review the proper procedures for maintaining documents, and seek to establish better controls over the handling of these documents.

Management's Response: This Agency has been made aware of the improper forms used as well as the amount and type of supporting documentation, needed for all future Audit testing. I have already adopted new Procedure, and will present the Housing Authority's Board of Directors, a new Policy to adopt, (early 2010).

FS 08-07 – Internal Control Deficiencies (Housing Authority)

Condition: The policies and procedures in place did not address policies such as fraud, risk assessment and informational technology. In addition, the Housing Authority did not establish a disaster recovery plan.

Criteria: SAS No. 112, Communicating Internal Control Related Matters Identified in an Audit, requires the auditor to evaluate control deficiencies to determine whether, individually or in combination, they are significant deficiencies or material weaknesses.

Effect: This inadequacy is a deficiency in internal control over financial reporting. Not maintaining up to date policies and procedures could cause errors, inconsistencies and omissions in the preparation of the financial statements.

Cause: The policies and procedures in place were adopted from the NM Department of Finance, Local Government Division manual, which do not include a fraud, risk assessment and informational technology policy.

Auditors' Recommendation: Management should assess the adequacy of the design of its policies and procedures related to preparation financial statements. When developing control policies and procedures for a process, management should consider where errors or fraud could occur that would cause a material misstatement in the financial statements and which policies or procedures, if operating properly would prevent or detect the error or fraud on a timely basis.

STATE OF NEW MEXICO
CITY OF GALLUP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

Management's Response: This Agency has adopted new Procedures based on past recommendations, and has made huge improvements in the prevention of fraud, and risk assessment, concerning electronic information and data. This Agency has in place various levels of electronic security and new software that helps monitor and prevent any Fraud, Waste and/or Abuse. The design and formality of an entity's internal control will vary depending on the entity's size, the industry in which it operates, its culture, and management's philosophy.

FS 08-08 — Internal Control over Financial Reporting (Housing Authority)

Condition: Although the Authority is making progress, through continuing education classes, it is currently without an individual at the management level capable of taking responsibility for the preparation of the financial statements as required by accounting standards.

Criteria: SAS 112 requires that the management of a governmental agency maintain sufficient knowledge within the organization to take responsibility for the preparation of the financial statements.

Effect: The Authority does not have an individual in a management position capable of meeting the qualification of SAS 112 and to take responsibility for the preparation of the financial statements.

Cause: The Authority's Executive Director is not currently capable of preparing the financial statements in the absence of preparation by the independent public accountant.

Auditor's Recommendation: We recommend that the Authority provide necessary training to the Executive Director as soon as possible to ensure he has proper training which allows the Authority to implement procedures to meet the SAS 112 qualifications.

Management's Response: I was unaware that procuring an outside Fee Accountant was not an generally accepted practice. I as Executive Director understand most basic principles, as well as the diligence needed to assure good stewardship of our public funds. Both myself and or Bookkeeper can without hesitation develop the financial information.

Section II – Federal Award Findings

None

STATE OF NEW MEXICO
CITY OF GALLUP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

Section III – Summary Schedule of Prior Audit Findings

- FS 07-01** — Payroll Documentation – Resolved
- FS 08-01** — Audit Report – Resolved
- FS 08-02** — Audit Report not Submitted timely (Housing Authority) – Resolved
- FS 08-03** — Bank Reconciliations (Housing Authority) – Resolved
- FS 08-04** — Tenant Deposits (Housing Authority) – Resolved
- FS 08-05** — Lack of Supporting Documentation - Payroll (Housing Authority) – Resolved
- FS 08-06** — Lack of Supporting Documentation (Housing Authority) – Repeated
- FS 08-07** — Internal Control deficiencies (Housing Authority) – Repeated
- FS 08-08** — Internal Control over Financial Reporting (Housing Authority) – Repeated
- FA 08-01** — Project Based Reporting Requirements (Housing Authority) – Resolved
- FA 08-02** — Audit Report Submission of Data Collection Form and Reporting Package (Housing Authority) – Resolved

Section IV – Other Disclosures

Prepared Financials

The financial statements presented in this report were prepared by the City of Gallup.

Exit Conference – City of Gallup

The contents of this report were discussed on December 1, 2009. The following individuals were in attendance.

City of Gallup

Harry Mendoza, Mayor
Allan Landavazo, Councilman
Gerald Herrera, City Manager
Judi Starkovich, Executive Director of Administrative Services

Griego Professional Services, LLC

JJ Griego, CPA

Exit Conference – City of Gallup Housing Authority

The contents of this report were discussed on December 1, 2009. The following individuals were in attendance.

City of Gallup Housing Authority

Gumi Garcia, Chairperson
Danny Garcia, Executive Director

Griego Professional Services, LLC

JJ Griego, CPA